S. Hrg. 99-1080

EMERGING CRIMINAL GROUPS

HEARINGS

BEFORE THE

PERMANENT
SUBCOMMITTEE ON INVESTIGATIONS

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

NINETY-NINTH CONGRESS

SECOND SESSION

SEPTEMBER 17 AND 24, 1986

Printed for the use of the
Committee on Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE
65-246 O WASHINGTON : 1987

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

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EMERGING CRIMINAL GROUPS

WEDNESDAY, SEPTEMBER 17, 1986

U.S. Senate,
Permanent Subcommittee on Investigations,
Committee on Governmental Affairs,
Washington, DC.

The subcommittee met at 9:32 a.m., in room SD-342, Dirksen Senate Office Building, under authority of Senate Resolution 353, section 13, dated March 1, 1986, Hon. William V. Roth, Jr. (chairman of the subcommittee) presiding.

Members of the subcommittee present: Senator William V. Roth, Jr. (Republican), Delaware, and Senator Sam Nunn (Democrat), Georgia.

Members of the professional staff present: Daniel F. Rinzel, chief counsel; Eleanore J. Hill, chief counsel to the minority; Barbara Kammerman, deputy chief counsel; Sallie Cribbs, assistant to the chief counsel; Howard Shapiro, staff counsel; Candis Mitchell, staff secretary; Cynthia Comstock, staff assistant; Susan Lebeaux, staff counsel; Frank Greenwell, staff investigator; Fred McCaffrey, press secretary; and Carla Martin, chief clerk.

Senator present at convening of hearing: Senator Roth.

Chairman Roth. The subcommittee will be in order.

[The letter of authority follows:]

Committee on Governmental Affairs,
Senate Permanent Subcommittee on Investigations,
Washington, DC.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Government Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration of oaths and taking testimony in connection with the hearings on Emerging Criminal Groups—Nigerian, to be held on September 17, 1986.

W.V. Roth, Jr.,
Chairman.
Sam Nunn,
Ranking Minority Member.

OPENING STATEMENT OF CHAIRMAN ROTH

Chairman Roth. Good morning.

Today, the Subcommittee on Investigations reviews the criminal activities of Nigerians living in the United States. This is the first in a series of hearings on emerging criminal groups. Next week, we will learn about crimes perpetrated by criminal groups of Asian origin.

Law enforcement authorities all across America are faced with startling underworld developments that render traditional perceptions of organized crime almost useless. New criminal groups are emerging that challenge our imagination and tax the resources we have to fight them. Ironically, these newer perpetrators of fraud, extortion, and drug distribution have prospered in part because of our successes in Federal prosecution of more organized, traditional crime groups. New groups, like the Nigerians, are filling the gap.

As an American, I am pleased to welcome to our great country the many law abiding Nigerians who visit and live here. There is no doubt that the majority of Nigerians are an asset to our proud heritage. But we are here today to do something about crime, and there is more than enough evidence of increasing patterns of particular forms of crime perpetrated by organized groups of Nigerians that warrant a closer look. Concern is mounting among law enforcement officials and financial institutions that are reeling from the hit and run strategies we see in credit card and banking frauds organized among Nigerians.

We cannot ignore the mounting evidence from across the country that Nigerians have more sophisticated methods for credit card schemes, to use just one example, than other criminal groups. We cannot ignore narcotics investigators who tell us that a growing number of heroin traffickers come from Nigeria. Some of these law enforcement officers will testify today.

Perhaps the most important set of facts before us today will come from one who has been there. We will hear from a Nigerian citizen who has already pled guilty in Federal court to credit card fraud.

The evidence you will see and hear today gives rise to several important questions. Why do we find so many Nigerians who have entered the United States on student visas still here years after their visiting privileges have expired?

Why do we find persistent patterns of Nigerians becoming expert in credit card and other financial frauds?

How has this seasoned expertise been passed on to so many newcomers?

How is it, in this period of severe budgetary restraints, that hundreds, perhaps thousands of noneligible aliens routinely obtain student financial aid, and welfare, and other so-called entitlements?

Finally, just how easy is it to obtain a visa to enter this country?

We hope to explore the scope of these problems today, and look for more definitive answers and the start of long-term solutions in follow-up hearings. At that time we will hear from the Federal agencies responsible for entry into the country. I have also asked the Nigerian Embassy for their comments, which we will include for the record after hearing from our witnesses.[1]

At this point in the record I would like to insert Senator Nunn's opening statement.

[The statement referred to follows:]

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[1] See p. 163.

OPENING STATEMENT OF SENATOR SAM NUNN

Mr. Chairman, I am pleased to join you this morning as the subcommittee continues to register its concern over the presence of organized crime in America. In the past, this subcommittee has been a leader in focusing congressional and public attention on a wide spectrum of organized criminal activity. We have held hearings examining allegations of organized crime links in labor unions, in the business sector, in penal institutions, and in both rural and urban communities throughout the country. The evidence we have heard has, I believe, convinced at least the members of this subcommittee that organized crime, be it in a traditional or nontraditional form, remains a very real and very critical threat to this nation.

With that in mind, Mr. Chairman, I congratulate you and the majority staff for your efforts in today continuing the subcommittee's work in this important area. As I understand it, today's hearing will examine alleged criminal activities by what law enforcement officials have described as a Nigerian crime network operating within the United States. According to law enforcement officials, a small but very active percentage of the legitimate Nigerian community within the United States has organized into groups engaged in a variety of criminal activities. I am interested in hearing law enforcement testimony this morning detailing alleged fraudulent financial schemes, threats of violence, and trafficking in narcotics by these emerging groups.

The existence and threat of emerging organized crime groups in this country is not something new to the members of this subcommittee. More than five years ago, in our 1981 hearings on international narcotics trafficking, we received testimony detailing increasing activities in the United States by the Japanese organized crime groups known as the Yakuza. In our 1983 hearings on organized crime in the mid-Atlantic region, we heard testimony from law enforcement officials confirming the fact that outlaw motorcycle gangs pose a serious criminal threat to the public welfare. In our 1984 hearings on organized crime in the Great Lakes region, we learned that organized crime comes in a wide variety of shapes and forms and that a narrow, traditional definition of organized crime is no longer effective for law enforcement purposes.

In short, the term organized crime is no longer synonymous with the term La Cosa Nostra, but instead reflects a broad and ever-changing spectrum of organizations profiting through a host of illegal activities. In this kind of atmosphere, it is critical that our law enforcement community be aware of these groups, remain sensitive to their relative importance in the criminal hierarchy and mold an effective enforcement response accordingly. In that context, today's hearing provides law enforcement, the public, and the subcommittee with an opportunity to examine in some detail reports on yet another of these alleged new entrants into the world of organized crime. Mr. Chairman, I again thak you for your efforts on this issue and look forward with interest to the testimony to be presented this morning.

Chairman ROTH. Next, we will have Mr. Shapiro, a member of the staff, to provide his statement. Under the rules of the subcommittee, all witnesses must be sworn.

Will you raise your right hand? Do you swear that the testimony you will give before the subcommittee will be the truth, the whole truth, and nothing but the truth?

Mr. SHAPIRO. I do.

TESTIMONY OF HOWARD L. SHAPIRO, STAFF COUNSEL, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Mr. SHAPIRO. Thank you, Mr. Chairman.

I would like to place the entire staff statement into the hearing record,[2] and what I am going to do is briefly summarize it because we do have some very knowledgeable witnesses here this morning, and it would be better to hear from them than it would be to hear from myself.

Within the past 10 years, a "Nigerian Crime Network" has emerged as a major problem for law enforcement agencies throughout the United States. The term "Nigerian Crime Network" has been chosen since no hard evidence has been found to reflect the existence of one national organized group. Rather, regional and local organizations have been found to exist within the network.

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[2] See p. 168.

Unlike traditional organized crime, the regional organizations are often composed of individuals who maintain their own criminal identities apart from the various small groups. Also, unlike traditional organized crime, Nigerian organizations appear to make no territorial claims, are highly mobile, and may display no clear hierarchy.

During its investigation, the subcommittee staff determined that members of the Nigerian Crime Network have become especially adept at credit card fraud, bank fraud, insurance fraud, and entitlement fraud, and have recently moved into the area of narcotics trafficking and distribution. The staff also found numerous examples of marriage fraud, visa and passport fraud, and customs and currency violations.

The staff cannot estimate the percentage of Nigerians who are engaged in criminal activities in the United States. Estimates obtained by the staff from Federal and local law enforcement agencies appear to be speculative and without adequate factual support.

In virtually all of the known criminal cases involving Nigerians, the individuals have been found to be in possession of or using false documents. As a result, investigators seldom know with certainty whom they have arrested and have been unable to accurately check for prior arrests and outstanding warrants. In fact, this aspect of the investigation suggests that little has changed since the subcommittee held hearings on Federal identification fraud in 1982.

The staff basically found three elements within this Nigerian Crime Network, and I will briefly describe them. The first would be the individual Nigerian who, on his own, is engaged in various schemes. The second would be the small group of Nigerians, with an identifiable leader, perhaps 8, 10, 12 people. The third would be a much more structured organization, and this organization would most likely be involved in narcotics trafficking.

The staff's full statement goes into much greater detail on these three elements.

Although increasing numbers of Nigerians have been arrested for criminal violations, the criminal justice system often breaks down after arrest, and this is due to low bonds imposed by judges, this is due to dollar thresholds imposed by prosecutors before they will take certain financial related cases, and it is due to a general feeling of nonpriority for white-collar crimes.

Even though most of the Nigerians who are arrested are found to be in the country illegally, the deportation process, as an alternative to prosecution or as an adjunct to prosecution, is also ineffective. Further, this process, due to appeals and other procedures, can take years, allowing additional time for the Nigerian to commit crimes and assume new identities.

In order to enter the United States, Nigerians must first obtain visas through the U.S. Embassy or Consultates in Nigeria. This process has been complicated by the fact that birth records are seldom utilized in Nigeria, and if needed, they can simply be obtained by a simple declaration process, or acquired through forgery.

Additionally, it is relatively easy to obtain a Nigerian passport using an alias. Several informants have advised the subcommittee staff that false passports can be obtained for a fee in Lagos without great difficulty.

During its investigation, the staff also learned of numerous cases where Nigerians entered the United States legally as visitors, or tourists, or students, but overstayed their visas.

As I mentioned earlier, we have several knowledgeable witnesses this morning to discuss the various criminal activities which Nigerians are involved in. We have the U.S. attorney for the District of Columbia, Joseph diGenova, who will be able to discuss narcotics trafficking. We have Martin Biegelman, from the Postal Inspection Service, who will discuss credit credit fraud. We have Richard Palak, from the Immigration and Naturalization Service, who will discuss entitlement fraud. We have Steve Simmons, from the Georgia Bureau of Investigation, who will be able to present a State perspective on all of these activities.

What I would like to do now is just go through a few of the recommendations, and I am skipping in the full statement to page 25. These are recommendations which the staff came across as ways to combat the problem of illegal aliens committing crimes in the United States.

Many of the recommendations that are listed here would be applicable to not only Nigerians, but certainly all illegal aliens committing crimes in this country. Staff believes that several of the recommendations have substantial merit and deserve further scrutiny. These include the improvement of visa issuance and other procedures for entering the country. Many of the law enforcement officers have told us that many of the Nigerians arrested for fraudulent activities are in the country illegally.

The subcommittee does hope to hear from the State Department during future hearings on this subject.

Another recommendation involves verification of alien eligibility for entitlements. INS has begun a computer match program with a few States on a voluntary basis in an effort to identify ineligible aliens seeking welfare and other entitlement benefits. The program is known as the Systematic Alien Verification for Entitlements Program, or SAVE.

Although it is voluntary right now, it has been included as a mandatory provision in legislation before both the Senate and the House. The proposed legislation would require States, who administer Federal benefit programs, to verify alien status, and thus alien eligibility, for the issuance of benefits. This system is dependent, however, upon the accuracy and completeness of INS records, areas which we have been informed need improvement.

The staff would also recommend that procedures be tightened relating to student aid. Federal legislation and/or regulations would require State guarantee agencies, which administer guaranteed student loan programs, to establish enforcement units. Very few States have enforcement units right now. Two States which do are Pennsylvania and New York, but very few States do. What we have found, what the Department of Education has found, and what INS has found, is that many illegal aliens, including Nigerians, are illegally receiving guaranteed student loans and illegally receiving Pell grants.

The Department of Education should also place greater pressure on the schools themselves to verify citizenship information, something which is not done right now.

The staff has also been told that some sort of central data base is needed. This is especially needed to assist law enforcement officers in the investigation of credit card and related financial frauds committed by Nigerians, whose mobility and multiple identities create severe problems.

Finally, the staff would recommend greater involvement by the Department of Justice and the FBI. The staff has been told that local law enforcement officials are often overwhelmed by the fraudulent activities committed by Nigerians. They need the assistance of the Federal Government.

The Department of Justice should recognize that emerging groups, such as the Nigerians today, and the Asian groups next week, are significantly engaged in criminal activities. Therefore, the Department of Justice should devote more resources, including utilizing the Organized Crime Strike Forces and the FBI, to investigate these groups.

That would conclude the summary of the staff statement, and I would be glad to answer any questions.

Chairman ROTH. I want to thank you, Howard, for the work that you have done in this area. At this time, I have no questions. We will proceed with the next witness. Thank you very much.

Our next witness will be John Jones, a Nigerian citizen. He is testifying under a pseudonym, and he will be behind a screen, so it will be necessary to clear the room until we get set up. I would ask the cameras to be turned off. If everybody would please leave the room for the moment.

[The room was cleared.]

Chairman ROTH. The subcommittee will please be in order.

I advise our next witness that it is necessary for all witnesses to be sworn. You will please stay seated, but raise your right hand.

Do you swear that the testimony you are about to give to the subcommittee will be the truth, the whole truth, and nothing but the truth so help you God?

Mr. JONES. I do.

TESTIMONY OF JOHN JONES, NIGERIAN CITIZEN

Mr. JONES. Chairman Roth, and members of the subcommittee. I am here today to describe what I know about Nigerian criminal activities in the New York area, particularly those involving credit card frauds.

When I entered the United States in late 1983, I had a legitimate passport and visitor's visa, but I cut some corners to get my passport since this normally takes a very long time in Nigeria. I have been in New York longer than my visa allowed, but no one has bothered me about it.

In Nigeria, bribery will get you about anywhere, and a payment of $100 can influence how long it takes to get a legitimate passport.

You can also pay Nigerians who work in the U.S. Consulate to influence how long it takes to get a visa.

However, if somebody wishes to get an illegal passport, there is a location in Lagos which is just like 42d Street in New York, where you can pay $1,500 to $2,000 to get a false passport, with a false visa tossed in.

After I arrived in New York, I got a job as a security guard. This was very easy to do. I made up a new name and Social Security number, and I said that I was from the Virgin Islands. I was assigned to the midnight shift of a large New York corporation.

Lots of Nigerians have these security jobs and I learned later that many Nigerians take these jobs just to get access to employee identification information to use in obtaining credit cards. But when I first got my security job, it was just because I needed some income. At one point, I went to school during the day and worked at night, but this was not a problem because I could sleep most of the time while working.

The Nigerians whom I have met and heard about in New York are into all sorts of white-collar crimes. It is so easy to obtain false credit cards that I am surprised that more Americans have not gotten involved in this.

I learned about credit card fraud at parties. Nobody is really secretive about the frauds, but at the same time, you don't have classes or anything like that, you pick up the methods bit by bit. Friends would give me card applications or tell me where to get them.

In filling out the applications, it is important to have accurate information in the space for name, Social Security number, and employer, since these may be verified by the bank. This information generally comes from the security jobs. Nigerians will write anything in the other places.

I got a mail drop with 2 friends and lots of applications and obtained about 15 phony credit cards, using different names. The best use of the cards is to get cash advances from banks, up to the card limit. Then some shopping can be done as most stores don't check to verify the cards. When the monthly statement arrives, you can send a bad check to clear the card balance to zero, and then the card can be used to its limit before the bad check is noticed. Most cards are used for a short period of time and then dumped.

I know about 50 Nigerians in New York and about 25 to 30 of them use fraudulent credit cards regularly to get the money to pay their bills and buy whatever they want. Everybody else uses cards occasionally. Getting and using the cards becomes addictive with most of the Nigerians I have met.

I got caught by the Postal Inspection Service and I pled guilty to one count of credit card fraud earlier this year. I am currently awaiting sentencing.

I am not aware of any real fraud structure or organization. Most of the Nigerians I have met here are too selfish and greedy to want to get involved with others and share money, although information is shared at times. Still, there might be some organization I don't know about since I have heard of Nigerians who are arrested and immediately come up with $10,000 to get out of jail, which indicates that somebody is helping them.

I am aware of a lot of student aid fraud, but some schools in New York are tightening up and requiring original birth certificates to prove American citizenship before Pell grant money is given out. But all Nigerians know that the schools never check citizenship on the applications. I am aware of situations where Nigerians have received aid money and then dropped out of school.

Deportation back to Nigeria is a joke. As long as you have the $1,000 to $2,000 needed, you can return under a new name.

I will be glad to answer your questions.

Chairman ROTH. Do you have friends who have been deported, or required to return because of fraud?

Mr. JONES. Yes; I do.

Chairman ROTH. But it has no impact on the problem; is that correct?

Mr. JONES. No; not exactly. Most people who have been deported have been mostly immigration problems. Most Nigerians who have been deported, it has been immigration problems. They have been deported because they have been working with no work permit, or something like that. It has never been actually due to credit card frauds. It has not been the case. Most of the arrests and deportations have been due to immigration problems.

Chairman ROTH. What happens to those who have been deported? Do they return here?

Mr. JONES. Yes; they are deported back to Nigeria. They stay a while in the immigration jails in New York, or wherever, and they are deported back to Nigeria. In less than 3 weeks they come back, as long as they have the money.

What happens is that if you have a friend here, and the friend gives them like $500, and that is worth 2,000 Nigerian money on the black market, and with that you can easily get a visa by paying off a Nigerian who works at the Embassy, or getting another passport.

Chairman ROTH. In your prepared statement, you mentioned that payments were made to Nigerians working in the U.S. consulate to get visas. Are you aware of any payments to American employees working in the consulate?

Mr. JONES. No; the American Embassy in Lagos, the Nigerian capital, there are a few Nigerians that work there as maybe clerks or typists, many jobs. They usually have access, maybe because the employers trust them, and they have a tendency of helping their relatives or friends to get visas.

Normally, I am not very sure about this, they do not give the money to the American employees there. It is very easy to get a visa actually. They give the visas out like it is something that you have a right to have, if you have a legal tendency to come to America. But the Nigerians who work at the Embassy, they make it sound like it is very difficult, so they use that opportunity to take money from the Nigerians who want a visa, and they put the money in their own pockets.

Chairman ROTH. Why did you say that you were from the Virgin Islands when you first applied for a security job?

Mr. JONES. That is what most Nigerians say in New York. I have not met someone from the Virgin Islands, but it is the notion that people from there have an accent, so they can easily pass. Since the Virgin Islands are part of America, they can pass as U.S. citizens.

Chairman ROTH. Did you personally go to the banks to get cash advances with the credit cards that you had obtained?

Mr. JONES. No; of all the credit cards, I have never, except once. What happened was that the cards I got were like $2,000 a piece and stuff like that, and I was scared. I was scared, first of all, to go to the bank because I didn't have proper ID's, because the banks normally ask for ID's to cash the money.

There are some people among us who have access to very good ID's. The most important ID is a driver's license. I understand that around here, in the State of Virginia, you can get a driver's license in a day with a birth certificate. It doesn't matter what country the birth certificate is from, you can get a driver's license. These people have access to these birth certificates, and with them you can always give them a call, and they go cash the money for you, and you split the money 60–40, or 50–50, or whatever.

The only time that I did that myself, because I didn't get anybody to help me at that time, they were busy with other things, I suppose, I did it myself, and I didn't do it right. I went there with the wrong ID card, and I was almost caught. I left the ID with them, and I ran out of the bank. When I was arrested, that ID was one of the proofs of identification.

Chairman ROTH. Are Nigerians often questioned by banks or stores when transacting business?

Mr. JONES. No; because most of them are not nervous. They go there all tied up and suited up, with portfolios and suitcases. They go there and they look so legitimate. I must say, when I went there, the reason I got into problems was because I went in a pair of jeans and sneakers, again, the money that I wanted to collect, the bank, of course, did not see me as getting that kind of money, and I guess that is why I fell into problems. I figure that if I had gone in a tie and suit, I probably would have just collected that money easily.

Chairman ROTH. It is my understanding that Nigerians living in New York have been traveling to Washington specifically to go shopping. Is that true?

Mr. JONES. Yes; Washington is a very famous sort of place.

Chairman ROTH. Very famous.

Mr. JONES. Yes, for some Nigerians, because there is a place here in Washington, that is called—I forgot, but there are a lot of stores there. Georgetown, they have a lot of stores. I have been there, but I didn't come for credit cards. When I married, I came here to vacation with my wife.

Georgetown is a place where they take credit cards, and they don't call. Any Nigerian who has a credit card that is no good any more, for instance, you can give it to him, and he is well assured that if he comes here, he can easily buy merchandise with the card or the checks with a piece of ID, and a lousy one, it doesn't really matter.

That is what happens. Georgetown is a very famous loan place. Most Nigerians would rather go to Georgetown easily.

Chairman ROTH. In other words, you are saying that it is well known as a place to go and shop, without being required to verify your credit cards.

Mr. JONES. Yes, without being required to go through any questioning and any sorts of interrogation.

Chairman ROTH. Are you aware of any insurance frauds being committed by Nigerians?

Mr. JONES. Not many. I am aware of just one. Again, some Nigerians have a tendency of saying things that I find personally cannot be done, but they want to make you feel that they, too, can do some terrible or worst things, and then they gain respect among the Nigerian community.

They say things like that. They say that they do things like that, but I don't know how they do it. They do say that they do it. I know of one that I know personally that did it, and he did it just once.

Chairman ROTH. What was that one incident that you know about?

Mr. JONES. He bought a new Toyota Celica, and a couple of weeks after that, he smashed it up, stole the radio, and things like that, took out the seats, and his insurance company paid him for it, even though he masterminded the vandalism, or whatever.

Chairman ROTH. Do you know of any Nigerians illegally receiving welfare or unemployment benefits?

Mr. JONES. Again, that is another thing some Nigerians say they do, even though I don't know how they do it. Some people do go around saying that. You hear of a lot of these things at parties. People just brag and say, I am on unemployment, on welfare, getting some certain things. I don't know how it is possible, but some of them do it. Some of them say they do it. They brag about it. Personally, I don't know who has done that.

Chairman ROTH. What can you tell us about sham marriages to obtain green cards?

Mr. JONES. Yes, that again is prominent in the New York area among Nigerians.

Chairman ROTH. It is prominent in the New York area, you say?

Mr. JONES. Yes, some people do it in the New York area, and outside of New York. Outside of Detroit, MI, for $2,000, you can pay an American lady for marriage, and get a lawyer.

Chairman ROTH. You say, about $2,000 you have to pay for a sham marriage?

Mr. JONES. Yes; you take her to the marriage court, or the marriage building, and you can get it done. A friend of mine got involved in that. Unfortunately for him, when he went to apply for his legal residency, or permanent residency, he didn't know that this was coming to him, when he got to the Immigration Office, his supposed wife was separated from him in the office building, and they asked them separate questions. They asked them the same questions but separately like what is the color of your apartment, or where do you keep your luggage in the room, and they could not give the same answers. They ruled that something was wrong.

The girl testified and told the Immigration officials that she was paid for this, and the guy was deported almost immediately, but he came back 3 weeks after that.

Chairman ROTH. Are you familiar with the so-called Celestial Church?

Mr. JONES. The Celestial Church, I was surprised when I was told of the existence in America. I wasn't too surprised, actually, because it is a very big organization, church organization back in my country. It is like a million dollar club. They are very influential, and the members of the church are rich, very rich people.

When I heard that they were here, I wasn't too surprised. Then I said, gee, what are they doing here? I went to the church, I visited the church myself, just to see what was going on. A few Nigerians that I know, who are involved in credit cards, and two of them that are involved in drugs, cocaine and stuff like that, they are members of the organization, too.

A friend of mine, when I was arrested, said listen, how much is the bail? I didn't say much about that. He said, if you are a member of the church, if your bail is like $10,000, members of the church are rich people, if you go to the church, you know these people, and they become friends of yours, and they could give you money for bail.

When I was arrested, that was the first thing I said, because I know that the normal bail money is about $5,000, how am I going to get $5,000 for bail, which I didn't have. He told me that if you are a member of that church, you get to know the people who are there, and they are rich people, they can help you. They can help you for bail money, you know, if they are your friends, and you go to the church, because the people in the church are rich. They have some money.

Chairman ROTH. Mr. Rinzel.

Mr. RINZEL. Mr. Jones, it seems to me that obtaining these credit cards and using them must almost be a full-time job. Is that the case, and was that the case for you?

Mr. JONES. Yes; what happened in my case was that most Nigerians that I know do this, they don't go to school. I am pursuing a course, I am graduating this semester in college. When I started doing it, I was going to school full time. I am still going to school full time.

When I started doing this, I was going to school, and I was on the dean's list in college.

Mr. RINZEL. You were on the dean's list?

Mr. JONES. Yes, the first and second semester. The third semester, when I got into it, my GPA fell terribly, it fell to about 2.6, and I am graduating now with a 2.7 average, which I regret.

Mr. RINZEL. So your grades went down a lot because you were spending so much time on the credit card schemes.

Mr. JONES. When I got the time to go to class, for instance, I had to go to my early class—most of my grades were not because of my academic work, but because of absences. In my school, absences count a lot.

Mr. RINZEL. You said, in your prepared statement, that you considered deportation a joke. Could you explain again why you consider deportation process a joke?

Mr. JONES. Because if a Nigerian here gets deported back home, all he needs is $500 in American money, and he can get with that 2,000 naira, which is quite a lot of money back home. With 2,000 naira, with half of it you can get a passport, which is not normally the case, because here when they deport you, some of them do not tender their passport. They say that they have lost their passport.

What happens is that they are deported, and a friend mails the passport to him. There is a place where you can get a stamp that says that you exited America. It says that you officially left America. It is a stamp, and they sell it back in Lagos.

Mr. RINZEL. This is a fraudulent kind of stamp that shows that you left the United States with this passport?

Mr. JONES. Yes. You get it, and they stamp your passport, and it says that you have left. Most of the time, you don't even have to go and get another visa because most of the time the people are given 4-year visas. If you are caught within those 4 years, and your friend mails back your passport, you can buy that stamp, which goes for about $500—I mean, 500 naira in Nigerian money, they stamp your passport, and you can come to JFK again. You left officially and you are back again officially visiting, because that is what it says on your passport.

Mr. RINZEL. Even on the same passport, under the same name under which you were deported?

Mr. JONES. You see, when you are caught, you don't give the name on that passport, you give another name.

Mr. RINZEL. You give a false name when you are arrested?

Mr. JONES. Yes, when you are arrested. When they ask you about your passport, they normally say that they don't have it. They don't have a passport. They didn't come here with a passport, and that is possible.

Mr. RINZEL. I take it that it would be a fair statement though, among Nigerians who engage in these criminal kinds of activities, there appears to be no fear at all. Deportation is not a deterrent to further criminal activity.

Mr. JONES. For some of those people who have good connections, it is not too fearful. It is something that if it happens, it happens. The only thing that they guard against is being in jail here because they know that they would have a hard time there. When they are in jail, communications with their friends outside is pretty difficult. So that is the only thing that they guard against.

Apart from that, getting back home, at times some people who want to go back home and visit with their parents, with their folks, jokingly, they will say, if I am caught, that is an opportunity to go and visit my folks back home. Officially, they know that they can't go back home, because if they do go back home officially, they can't come back real. Deportation is a means of seeing your folks, if you want to.

Mr. RINZEL. Deportation is a means of seeings their friends and relatives back home?

Mr. JONES. Yes.

Mr. RINZEL. Why do Nigerians keep coming back to the United States who engage in these illegal activities?

Mr. JONES. Because the trend of the illegal activities has been going for a while. Some people get caught, others don't. Some people have not been caught even for things like this. Some people have been caught by Immigration, that is all. It is so easy to do.

I can leave here, and fill out a credit card form, and I have an 80-percent chance of getting it. Now it is getting to the state when you don't have to have a job. For instance, if I get Mr. X's name; right now I don't even have to get Mr. X's name, I can get a former name, a Social Security number, get a telephone where maybe I have to be there 12 hours of the day to pick up if the bank calls and says, "Is this the AB Company," I say, yes; and that is all they need to verify that the person works there. I can use my home phone as a job phone. I sit there, and I wait, and they call me. I say that I am the secretary, hold on. I spend like 2 minutes doing nothing, pretending that I am looking to the files, and that is it. I can be assured that in 2 weeks, I am going to get a card.

Mr. RINZEL. Thank you, Mr. Chairman. I have no further questions.

Chairman ROTH. That will be all the questions, Mr. Jones. We thank you for being here today.

We will have to clear the room once more, so I would ask everybody to promptly leave.

[The room was cleared.]

Chairman ROTH. The subcommittee will be in order.

I will call our next witness forward, Joseph diGenova, U.S. attorney, District of Columbia.

Gentlemen, under our rules, everyone who is going to testify must be under oath. I would ask all of you to please rise.

Do you swear the testimony you will give before the subcommittee will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. DIGENOVA. I do.

Mr. REARDON. I do.

Mr. KNIGHT. I do.

Mr. LEE. I do.

Senator ROTH. Gentlemen, it is a pleasure to have you here today. We appreciate your cooperation and assistance with the staff.

Mr. diGenova, if you would introduce the others, and then please proceed.

TESTIMONY OF JOSEPH E. diGENOVA, U.S. ATTORNEY, DISTRICT OF COLUMBIA, DEPARTMENT OF JUSTICE,[3] ACCOMPANIED BY TIMOTHY J. REARDON III, PRINCIPAL ASSISTANT U.S. ATTORNEY, PAUL L. KNIGHT, CHIEF, NARCOTICS UNIT, FEDERAL PROSECUTION SECTION, U.S. ATTORNEY'S OFFICE, AND CLENDON H. LEE, JR., COUNSEL TO THE U.S. ATTORNEY

Mr. DIGENOVA. Thank you, Mr. Chairman, and good morning.

With me this morning, Mr. Chairman, on my right, is Mr. Timothy J. Reardan, the principal assistant U.S. attorney; Paul Knight, who is the chief of our narcotics unit in the Federal Criminal Prosecution Section of the U.S. Attorney's Office, and Mr. Clendon Lee, who is counsel to the U.S. attorney.

Chairman ROTH. Thank you.

Gentleman, welcome to all of you.

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[3] See p. 83 for Mr. diGenova's prepared statement.

Mr. diGenova. Mr. Chairman, I want to thank you for the opportunity to address the subcommittee regarding a disturbing new dimension in illegal drug trafficking in the District of Columbia and elsewhere: the growing role of Nigerian nationals in the smuggling and sale of heroin and cocaine.

I would like to emphasize at the outset that the subcommittee is performing an important public service in holding this hearing. Identifying the nature and scope of criminal activity is a critical factor in providing policymakers with the information they need to fulfill their obligations.

Moreover, I want to stress that the purpose of my testimony is not to stigmatize the citizens of Nigeria or all Nigerian visitors to the United States with unfair or unfounded accusations. My testimony today is directed solely to matters of public record. That public record sadly reflects the fact that many Nigerians have applied their considerable skills and energies into a successful effort to dominate the heroin trade in the Nation's Capital.

We first began to be aware of the problem here in Washington in late 1983 as a result of a successful FBI-DEA undercover investigation. Our subsequent investigations have shown that drug trafficking by Nigerians has become well organized and extensive. In fact, investigations in the past 3 years of heroin traffickers in the District of Columbia have shown that Nigerians are now providing the drug sold on the street by these groups.

Indeed, Mr. Chairman, it appears to us at this point that our most conservative estimate of the amount of heroin being provided by the Nigerians in this city is about 60 percent. Two-thirds of all the heroin in this city is coming from Nigerian drug traffickers.

The Drug Enforcement Administration, the Federal Bureau of Investigation, the U.S. Customs Service, the Metropolitan Police Department, and numerous other law enforcement groups have dedicated substantial resources to the investigation of Nigerian traffickers. As a result, we have developed and we are continuing to develop information about the structure of their organizations.

One of our findings is that these smuggling efforts by the Nigerians are well-organized. There are four or five major groups operating in the District of Columbia metropolitan area, and their members have well-defined roles. At the lowest rung of these organizations is a vast network of couriers who have been recruited in Nigeria from the ranks of students, friends, and the unemployed.

The traffickers provide these couriers with round-trip airline tickets from Nigeria to the United States, and pay a fee of between $2,000 and $3,000 for each trip. The most common method they use to smuggle heroin is to conceal it within body cavities. Other methods involve carrying the heroin on or about the body, in hollowed-out heels of shoes, the hollow tubes of luggage carts, record album covers, in food stuffs, and in African artifacts.

As a rule, these couriers travel in groups, and are shepherded into the country by an individual who is a senior member of the drug distribution organization. When these couriers arrive in the United States and clear Customs, they are then brought to the District of Columbia.

The narcotics are then turned over to higher ranking members of the organization. After the heroin is collected, the organization has various members who have contacts among American drug dealers. At the present, the heroin is usually sold in 1-ounce quantities, and the price ranges from $4,000 to $8,000 per ounce depending on the purity.

While Nigerians are relative newcomers in the area of heroin smuggling, having come on the local scene in the later part of 1983, they have quickly learned how to be proficient in this area. They have become skilled in cutting their heroin with dilutants in order to increase its bulk, which brings them larger profits. Their sophistication appears to have been developed to a large part from the incarceration of some of these traffickers with American drug dealers.

Not only are the Nigerians well organized in smuggling heroin into the country, they are also well organized in moving the money they make out of the United States. Unlike some of the other drug importers, the Nigerians do not usually invest their illegal profits in the United States. Instead, they generally smuggle American dollars out of the United States into London or into Nigeria, where their profits can be multiplied by black market activities.

It is generally difficult to apprehend these individuals as they remove the currency from the United States. Frequently, trusted members of the organization are asked to carry the currency out of the United States in suitcases. As a result of information provided by confidential sources, we have been able to stop some of the money couriers and seize hundreds of thousands of dollars from these smugglers.

Our investigations have also shown clear patterns on how the Nigerians obtain their heroin. In our early investigations during 1984 and 1985, it was clear that the vast bulk of the Nigerian heroin had its origin in Pakistan. More recently, our investigations have shown that the Nigerians are also utilizing India as a major source country.

We have found that investigating the inner workings of the senior members of these various drug trafficking organizations is particularly difficult. One of our major problems is that the Nigerian traffickers generally transact business among themselves in their tribal languages. While English is the official language of the Federal Republic of Nigeria, virtually every Nigerian is conversant in at least one tribal dialect. As a result, they can discuss, with impunity, their trafficking plans in the actual presence of undercover agents.

It is also difficult to acquire accurate information on the true identity of specific suspects. We have found that drug-dealing Nigerians frequently possess multiple passports under a variety of names. It is not uncommon for an individual to have passports in a Moslem as well as in a Christian name.

In addition, there are thousands of stolen blank passports in circulation which are easily forged with various aliases. During the course of executing search warrants, we have found official Nigerian birth certificates with governmental seals, official blank driver's licenses from the Federal Republic of Nigeria, and other documents which the smugglers use to obtain fraudulent identification for use in the United States.

Heroin is the primary drug being smuggled into the United States by these groups. They also, however, travel to South America, generally Brazil, where they pick up cocaine which they smuggle into the United States.

Nigerian traffickers often utilize fraudulent credit cards and stolen checks to help finance their drug operations here in the United States. They also obtain carbons of used credit cards or collect information about specific individuals, and then have credit cards issued in that person's name, having the cards delivered to mail drops controlled by drug organizations. These credit cards are then used for short periods of time, 2 to 3 months. During this time, numerous individuals use the credit cards to travel up and down the east coast, collecting heroin or money from drug distribution organizations. Due to the fact that these credit cards are rotated among different individuals, it is very difficult to identify which individual used a credit card at any given time.

We expect that large numbers of Nigerian drug couriers will continue to travel to the United States because they have found the sale of heroin so lucrative. Ironically, many Nigerians are not afraid of going to American prisons because they feel that our prisons are relatively humane.

We also expect that they will continue to become more and more sophisticated in the manner by which they smuggle the heroin into the United States. Nigerian drug smugglers are intelligent individuals and they have learned quickly from their American counterparts, and they have even improved on established techniques, which allow them to smuggle greater quantities into the United States and earn even larger profits.

In order to have an impact on these Nigerian drug smugglers, we must obtain the full cooperation of the Nigerian Government and exercise prudent and lawful vigilance concerning the activities of individual Nigerians who visit this country.

I would like to add to my prepared testimony, Mr. Chairman, some information which I received from the Drug Enforcement Administration, which I think will be helpful to the subcommittee, with regard to cooperation, the efforts of DEA, and the cooperation from the Nigerian Government.

In March 1985, the Drug Enforcement Administration established an office in Lagos to facilitate the exchange of drug intelligence between heroin source countries and Nigeria. That office will be assigned a second agent in January of 1987. DEA has influenced legislative change to Nigerian law to allow Nigerian customs officials to work in conjunction with the DEA to pursue and prosecute narcotics violators. There have been immediate and positive results from that effort.

Nine hundred couriers were arrested in Nigeria during the past 12 months, and 300 traffickers were arrested in the last 3 months.

Plans are being formulated for DEA to assist the Nigerians in setting up an airport interdiction program, and provide required training for those individuals.

In addition, discussions are now underway to introduce a law in Nigeria that would allow for turnaround prosecution. That simply means that Nigerian couriers arrested in the United States would be escorted back to Nigeria with the evidence, and prosecution and incarceration would take place in that country, with the stiffer penalty of life imprisonment sought there. This would act as a deterrent to prospective couriers being recruited by drug traffickers in Nigeria. In addition, it would reduce the prosecution and incarceration burden on U.S. officials.

The excellent level of cooperation will no doubt lead to other enforcement initiatives. However, in the meantime, and more specifically, I would respectfully suggest to the chairman that the problem of drug trafficking is so severe that it may be necessary for us to consider more dramatic steps, such as limiting the number of visas we provide to Nigerian visitors.

While this would be an extreme measure, the problem we are facing from these drug traffickers is monumental. The subcommittee's role in highlighting this issue is a valuable contribution to law enforcement, and I am grateful for the opportunity you have given me to appear before you today, Mr. Chairman.

Chairman ROTH. We are indeed grateful to you for being here today.

As I recall, you said in your testimony that roughly two-thirds of the heroin traffic is handled by Nigerians. Would that figure be also true elsewhere, or do you have any information if that is true generally?

Mr. DIGENOVA. Mr. Chairman, they are very active. Nigerian drug smuggling organizations are now well-established, entrenched, and providing substantial percentages of the heroin in New York, Chicago, Houston, and Detroit.

Chairman ROTH. So it is not peculiar just to Washington.

Mr. DIGENOVA. I think that the numbers are larger here in terms of the percentage of the heroin being supplied to the local market. As I indicated, the two-thirds is really conservative. There have been some estimates by DEA that as much as 90 percent of all the heroin on the street is coming from Nigerian drug smugglers at certain given periods in past years. Indeed, as I indicated in my testimony, when the Nigerians first began smuggling heroin into the District of Columbia, the purity was very high, in some instances as high as 90 percent, or more, pure heroin. As they became more sophisticated in their drug operations, they began to cut it with preferred dilutants, or step on it, as they say on the street, to make it less potent, a lower percentage of heroin, and thus make higher profits.

Chairman ROTH. I was pleased to hear that there has been a high degree of cooperation between the Nigerian Government and ourselves. You made a proposal that perhaps the number of visas should be limited. But let me ask you, would it be helpful, at least as an interim step, in your judgment, to strengthen the kind of investigations we make in our Consulate in Nigeria?

Are you familiar at all with whether they are tightening up their investigations before they issue visas, or is there any action in this area on the part of our people?

Mr. DIGENOVA. Mr. Chairman, I am not intimately familiar with those details, and I would prefer to defer to any State Department representatives for that information. We would be happy to try and get it for you, and have it submitted for the record.[4]

Chairman ROTH. I would appreciate that.

Mr. DIGENOVA. Yes, sir.

Chairman ROTH. You indicate that at least in the area of drugs, that it is well organized, structured groups. I think you heard the testimony of Mr. Jones before; do you think the same is true in the area of credit card fraud and some of the other scams?

Mr. DIGENOVA. I don't think that there is any doubt about it, Mr. Chairman. It is very evident from what we have seen. These are very sophisticated, well organized groups, using the credit cards, exchanging the use of the credit cards. It is a very, very sophisticated operation.

Chairman ROTH. Do you think that it is controlled from here, or do you think that the headquarters are in Nigeria?

Mr. DIGENOVA. The credit card fraud is generally controlled here, and the heroin trafficking is generally controlled from Nigeria.

Chairman ROTH. Do we know the names of those who are involved, particularly in the narcotics trafficking, both here and in Nigeria?

Mr. DIGENOVA. As a result of 2½ years of extensive investigations, we have developed a substantial profile of the individuals in this emerging organized crime structure in the United States and Nigeria, and we have very good identifications of the individuals who are what we would describe as kingpins.

Chairman ROTH. Are these aliens here as guests of this country, the kingpins who are in the United States?

Mr. DIGENOVA. Most of them are, yes. Occasionally, they will be given a green card.

[Senator Nunn entered the hearing room at this point.]

Chairman ROTH. Would it be helpful to have procedures where such people could be more easily deported? Are our present procedures too difficult to expel a known trafficker of drugs, and do you see that this might be an avenue that ought to be pursued?

Why should we permit, as a country, known traffickers of drugs, aliens who are guests of this country, to continue to reside here?

Mr. DIGENOVA. Mr. Chairman, you have hit upon a real sore point with many of us who have to live with these problems every day, and that is that the deportation proceedings in our country, for perhaps good and proper reasons, take an extremely long period of time. There are probably legitimate policy considerations for that, which have developed over the years. But there is no doubt that regarding convicted drug smugglers, who enjoy a certain type of protection on that score, we would certainly be willing to study the notion of whether or not some different standards could be applied, consistent with constitutional and legislative protection. These might include easier methods of deporting drug smugglers, particularly now, since this country is finally, apparently, confronting the reality of its drug crisis.

Chairman ROTH. I think that the problem that this country faces is: Are we really serious in this war against drugs? I find incomprehensible, if that is the case that we are really trying to do something about it, that any aliens, from any country, who are known traffickers, or for that matter, known users, should be permitted to stay here indefinitely.

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[4] The subcommittee has deferred the request for information pending possible followup hearings.

You are absolutely right, whatever procedures you adopt, you want to ensure that basic human rights are protected, but at the same time, they are guests of this country, and I can't fathom any reason why they should be permitted to continue to stay here.

Mr. diGenova. Mr. Chairman, the law provides for mandatory deportation after conviction for one of these offenses. The problem is, of course, that there are hearings after hearings after hearings, which hearings are accorded individuals under various statutes and laws of the United States concerning deportation.

So your concern about the process by which deportation occurs after conviction is a perfectly legitimate concern, which I think the subcommittee would do well to address in terms of any proposals for change. This is, in fact, a built-in immunity from deportation if the process is so complicated that drug traffickers can enjoy the hospitality of an American prison, which, according to our information, they seem to prefer to incarceration in Nigeria.

Chairman Roth. I understand that, because it is the process I am concerned about. I think there has to be some minimum protection, no question about that. We don't want to place good people in jeopardy without some kind of a fair process. But, as I understand it, it is so complex that the whole system really collapses of its own weight.

One of the things that concerns me, it is my understanding that, I guess, under current law, judges have the right to rule that a particular conviction or other action cannot be considered for purposes of deportation. Are you familiar with that?

Mr. diGenova. Not for drug trafficking, a judge cannot do that for narcotics. There are other convictions where the question of moral turpitude is a matter of judicial interpretation, but on narcotics convictions, it is mandatory, it is my understanding. I am not an expert in that area, but there are individuals here from INS, and they will address that question further.

Chairman Roth. Perhaps you are right. It is my understanding that there is some question as to that.

You heard our earlier witness say, deportation, well, it doesn't make any difference, they go back and they are able to reenter this country very readily. Do you think that this is the situation, or do you think that that situation can be corrected?

Mr. diGenova. I think that it is clearly the case where people are returning to the United States repeatedly as described by the witness, and it raises the issue of resources of the Federal Government that can be devoted to a particular problem. It raises the need, in my view, that the Immigration and Naturalization Service has for more resources to deal with the problem, and the need that Federal prosecutors have to deal with the problem, with resources having been cut back severely as a result of the automatic cutbacks under Federal law, the new Federal budget laws.

We are facing the grave reality of having crime confront us, and the illegal activities of individuals, when our resources are being cut back at a time of understandable fiscal restraint. This is also, however, a time when we are being asked to do more about the most serious problem facing this country today.

It seems to me that a realpolitik should be in place here, which is that if we are going to be this concerned about the problem, then we must devote and provide to those individuals that we charge with this responsibility the resources that they need to carry it out. Otherwise it is just a sham.

Chairman **Roth**. Let me go to the question of money laundering. We have information that would indicate that Nigerians are rather successful in taking money out of the country to London and elsewhere where they reinvest and expand on their illegal profits.

We do have laws on the books that enable our law enforcement officials to investigate. I believe that the legal limit right now is $10,000, yet we are told that people are carrying suitcases of money out. Are you aware of any efforts being made to cut off this flow of money?

Mr. **diGenova**. Yes, Mr. Chairman, the U.S. Customs Service has a tremendous program aimed directly at this, and their representative here today, I think, will address this issue.

The amounts of money going out of this country are very large. Sometimes, they go out in Federal Express packages. Sometimes the money goes out in the form of high tech equipment which is purchased in New York and sent over to Nigeria. It is either in the form of cash or substitute property.

Chairman **Roth**. Mr. Rinzel.

Mr. **Rinzel**. Mr. diGenova, I understand that there is a task force in the Washington area on Nigerians. What effect, in your judgment, has the task force had on this trafficking, drug trafficking, up to this point?

Is the problem increasing, or are you making a dent in it? I know you have gotten a number of convictions. What is your assessment to what the current situation is, and your prognosis for the future?

Mr. **diGenova**. Well, we established a task force directed specifically at Nigerian drug trafficking, because it was identified, obviously, as a major source of heroin coming into the Nation's Capital. The establishment of that task force has allowed us to concentrate the acquisition of intelligence, the acquisition of evidence, and to increase dramatically the number of major arrests and major prosecution of these traffickers.

We have had, in my view, a substantial impact on organizations in terms of disruption. However, that is not to claim victory, it is only by way of saying that the job has been begun, that I think we are seeing some success, and that we need to do more.

The problem with these organizations is that they are fluid. They have numerous individuals, as we indicated earlier in our testimony, who come from overseas as newly recruited individuals who join these organizations. When the sums of money which are generated here are sent back, or when the technical equipment is sent back to Nigeria, it is sold on the black market where it gets much, much more value than it would if it were sold in the United States. This then increases the ability to send people back into this country. It is a terribly difficult problem, and that is why the increasing level of cooperation between the drug enforcement agency and the Nigerian Government is very, very important, because that will help us ultimately assist the Nigerians in the prosecution of the structure of the organization within their own country,. That is going to take some time, but in my opinion, we have made tremendous progress, and the success rate thus far is very good.

Mr. RINZEL. Have you, or your office, had any dealings with the State Department on this entire issue, and if so, what kind of cooperation have you received?

Mr. DIGENOVA. Regarding the State Department, we have had, as you know, not necessarily extensive contact with them, but we keep them apprised of what is going on. There are inquiries from the Nigerian Government about the nature of the problem, and we transmit information to them. We have had limited contact with the Department of State at this point.

Mr. RINZEL. In your view, your personal view, would it be helpful to get our State Department people more involved, particularly with respect to the deportation problem, the visa problem, people coming back and forth with impunity, under false names, documents, and so on?

Mr. DIGENOVA. Certainly, any further involvement by the Department of State and other organizations responsible for immigration and other areas would be very, very helpful. Indeed, I must say that the State Department, whenever I have asked them to assist in any area of law enforcement, has always been cooperative and responded immediately. They are aware of this problem, and they are working on it. To the extent that more can be done, we welcome it.

Mr. RINZEL. Thank you.

Chairman ROTH. Those are basically the questions I have. As I said, I would be interested in any further talks you or your staff may have in this problem of procedures, or process, how we could strengthen it. As I said, I, for one, think that it is incomprehensible that we continue to permit as guests in this country those who are playing a key role in drug trafficking. I would hope that we could find ways and means of expediting that process, and still maintain essential constitutional safeguards.

Thank you very much for being here today, and we look forward to working with you.

Mr. DIGENOVA. Thank you, and I will be delighted.

Chairman ROTH. We will be hearing our next two witnesses as a panel. We have Martin Biegelman, who is a Postal Inspector for the Postal Inspection Service, and Richard Palak, who is a Special Agent for the Immigration and Naturalization Service. Accompanying Mr. Biegelman is Stephen Bishop, the Manager of Fraud and Prohibited Mailings Branch at the Postal Inspection Service.

Gentlemen, I welcome all three of you here. I would ask you to rise and raise your right hand.

Do you swear the testimony you will give before the subcommittee will be the truth, the whole truth, and nothing but the truth so help you God?

Mr. BISHOP. I do.

Mr. BIEGELMAN. I do.

Mr. PALAK. I do.

Chairman Roth. Gentlemen, we are pleased to have you here today. If you can summarize your statement, it would be helpful. In any event, they will be included in the record as if fully read.

Mr. Biegelman, why don't we start with you.

TESTIMONY OF MARTIN BIEGELMAN, POSTAL INSPECTOR, U.S. POSTAL INSPECTION SERVICE,[5] AND STEPHEN BISHOP, MANAGER, FRAUD AND PROHIBITED MAILINGS BRANCH

Mr. Biegelman. Mr. Bishop is the inspector with the management section here in Washington, and he has a few words that he would like to say.

Mr. Bishop has something to say before I give my testimony.

Chairman Roth. Mr. Bishop, please proceed.

Mr. Bishop. Thank you, Mr. Chairman. I appreciate the opportunity for us to be able to attend the hearing today, and we have arranged, at your request, to have Mr. Biegelman here as well. Inspector Biegelman is assigned to our New York division, and he has extensive experience in investigating crimes involving the use of the mails that are committed by Nigerian nationals. He has prepared a statement, and he is available to answer questions concerning investigations in our New York City area, and I would be pleased to answer any questions you might have involving the Inspection Service policies and procedures nationwide.

Mr. Biegelman. Mr. Chairman, I am a Postal Inspector assigned to the New York Division. My area of responsibility includes mail fraud investigations in the New York metropolitan area. Additionally, I am the credit card coordinator and investigate cases involving credit card fraud.

I appreciate the opportunity to appear here today, and to discuss my experiences in investigating crimes against the Postal Service, focusing on the type of fraud that is often committed by individuals who are Nigerian nationals.

My investigations have included cases in which Nigerian nationals have been the principal suspects since 1984. These investigations have resulted in the arrest of 27 Nigerian nationals, one of which appeared before you today as a witness. Of my current caseload of 10 cases, and the hundreds of complaints associated with those cases, roughly 80 percent involve Nigerian nationals as suspects.

I would like now to address some specific criminal activities in the New York City area, which are not limited exclusively to Nigerian perpetrators, but typify the schemes in which Nigerians nationals are heavily involved. I would like to stress that we are not investigating all Nigerian nationals, but rather crimes against the Postal Service committed by individuals, an inordinate number of whom turn out to be Nigerian nationals.

In my research related to my investigations, I have found that individuals from Nigeria are involved in increasing numbers in schemes to defraud banks and other government and financial institutions. While some of the individuals are committing student loan frauds, check kiting, insurance fraud, drug and gun smuggling, and other crimes, by far the most prevalent crime being committed in the New York area involves credit cards.

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[5] See p. 91 for Mr. Biegelman's prepared statement.

The criminals fraudulently obtain law abiding individuals' credit and biographical information, and submit false applications under these names to banks, department stores, oil companies, and other credit card issuing companies. They are quite skillful in obtaining information on other people. They apply for jobs primarily as security guards and night watchmen, and to a lesser degree as clerks and porters in major companies in the metropolitan area.

They know that people in prominent positions, such as lawyers, doctors, stockbrokers, and others, have better credit ratings than other people in lesser professions. Thus, people in these kinds of employment are targets.

Many major companies and businesses employ security guards to patrol their offices at night. The criminals obtain guard positions which are generally low paying and hard to fill. I have found that many of the ones that I have investigated and arrested are employed as security guards in private security in New York.

When assigned to a building at night, these individuals have free rein to patrol the office. They will go through personnel files, employees' desks, and other belongings to obtain names, job titles, social security numbers, home addresses, and other personal information. The information, which they obtain, besides being found in personnel files, is found on résumés, pay stubs, bills, and other materials in the offices.

Once armed with this personal information, the criminals, with their knowledge of the American credit system, apply for credit cards. They will complete credit card applications and submit them to numerous banks and other issuers, using the names they have found, sometimes to 30 or 40 issuers in this one name.

They will list the name, employment, and Social Security number on the application. They will list the current home address of the person as a previous address, and then use a mail receiving agency as the current address. In addition, they also use a post office box or possibly an apartment controlled by the false applicant. The current address associated with the name is used as a previous address to throw off credit bureau inquiries, which may list this home address. Generally, the credit bureau believes that the person has recently moved, since the addresses match.

While all issuers verify credit card application information, generally this is limited to a credit bureau check of the credit history of the person, and a check with the applicant's employer. Since the applicant's name and other personal information is correct, the credit check will show this individual's credit profile.

As I stated previously, these criminals obtain information on people in high-scale professions who already have established credit. Thus, the credit check will help approve the application. Additionally, since the person whose name is being used has no idea his identity is being used for this fraud, even a check with the individual's personnel office will only verify that, indeed, the person does work there, then, of course, the application will be approved.

The criminals involved in this kind of scheme use legitimate private mail receiving agencies commonly known as mail drops where, for a fee, a person can receive mail. More and more mail drops are showing up in check cashers, grocery stores, rental outlets, and telephone answering services in the New York metropolitan area.

While the correct address of the drop may be something like 125 Main Street, Box No. 5, the criminal will list it on the application for a credit card as 125 Main Street, Apartment No. 5, using apartment in lieu of the box to make it appear that the address is a private residence. The same is being done when using a post office box. The street address of the post office is listed, and the box number is exchanged for a suite, or an apartment number on the application.

Once a criminal receives a credit card, it is quickly used to the limit of the card for cash purchases and high-ticket items such as stereos, televisions, and VCR's which are easily fenced. Then the card is used for additional purchases under the floor limit of the card. Floor limits are amounts that are used to determine when a merchant must call in for a verification of a charge. If a purchase is kept under the floor limit, a fraudulently obtained credit card can be used for months without detection.

I have personally seen false application credit cards issued with a $2,000 limit on the card, but ultimately $8,000 was charged to the card because of charges under the floor limit. When the bills are sent to the suspect address, they are, or course, ignored. After several months of nonpayment, the credit card issuers call the collection agencies to attempt collection. When no one is found at the mail drop or apartments listed on the applications, collection agencies go to credit bureau files, and check the name and social security number of the applicant named. At this point, the unsuspecting citizen's address is found, and that person is contacted. Then it is learned that a fraud has taken place. Unfortunately, this can be many months or even a year after the initial fraud has occurred, and chances of locating the suspect at this time are almost nonexistent.

Using this system and variations, criminals receive large numbers of fraudulent applications for credit cards, and charge millions of dollars to these cards. During the course of my investigations, I have learned that a conservative MasterCard and Visa estimate of over $20 million was lost by banks nationwide in 1985 through false application credit card fraud by Nigerian nationals.

One major bank in New York City has reported to me that it lost $1.4 million through this type of fraud in 1985, and that it expects to lose $2 million in 1986. An official of MasterCard advised me that he believes the actual dollar losses are closer to $50 million because many banks and other credit card issuers mistakenly write off these frauds as bad debt and failure to pay, and never report them for investigation.

My investigations have shown that all the major credit issuers in this country have been defrauded by Nigerian nationals based in New York City. The list of victims is impressive. In New York, I have found that these criminals have gained access to employee files of CBS, New York Telephone, Con Edison, the New York Daily News, Merrill Lynch, E.F. Hutton, and other companies.

I have found that part of the problem in investigating Nigerians involved in credit card fraud is that while there are some organized groups, the majority are either loosely knit, groups, or individuals doing this fraud. For this reason they are much tougher to track down.

I have had cooperating Nigerians tell me that they do not want to belong to a group or a gang because then they would have to split the proceeds of the fraud. By working individually, they can keep all the proceeds themselves. Besides, this crime is so simple and lucrative, a gang isn't necessary for this crime to be successful.

I have found that most of the Nigerians come to this country either on student or travel visas. Many stay in this country after their travel visas expire or after they drop out of school. I find that many of these Nigerians learn about credit card fraud from other Nigerians already involved and living in this country. Thus, with Nigerians teaching Nigerians, the problem grows.

In New York, law enforcement agencies and the banking industry are well aware of the fraudulent application problems. Due to the new credit card fraud legislation passed in 1984, the U.S. Secret Service now has primary jurisdiction against certain types of credit card fraud. The Inspection Service authority lies in 18 U.S.C. 1341 and 1342, which includes the mailing of fraudulently prepared applications for credit cards.

All of these agencies that I have been discussing, particularly the Secret Service and the Postal Inspection Service, participated in a task force in 1985. In addition to the Secret Service and the Postal Inspection Service, the task force also consisted of Immigration and Naturalization Service agents, the New York City Police Department detectives, and bank investigators from the major banks in New York.

The purpose of this task force was to identify those involved in false application fraud, to determine the extent of the involvement of these individuals, and successfully investigate and prosecute.

One example of the effectiveness of this task force was an operation conducted on November 7, 1986, when simultaneous search warrants were executed at eight safe houses in Brooklyn, NY. We arrested five Nigerian nationals for credit card fraud. We executed the search warrants and we found the following items:

Approximately 100 fraudulent application credit cards, dozens of completed and partially completed false applications for credit cards, numerous phony identification cards, including driver's licenses, social security cards, college I.D.s, birth certificates, W-2 forms, and passports, a list of over 1,000 names and respective credit card numbers, a list of CBS employees, including name, Social Security number, and other personal information, security guard uniforms, and numerous televisions, stereos, VCR's, radios, and answering machines. Additionally, two other Nigerian individuals involved with this gang were subsequently arrested.

Although investigations do enjoy limited successes, I believe the most effective method to fight these abuses is through prevention. I work very closely with the banking and credit card representatives in New York in identifying possible system deficiencies which may make them vulnerable to the types of credit card abuses I have discussed.

Other inspectors and I, in conjunction with the Inspection Services' prevention program, regularly provide fraud prevention training to the industry and the public to further help in combating this problem.

Once again, I thank you for the opportunity to testify before this subcommittee, and I will be happy to respond to any questions you may have.

Chairman Roth. Thank you. I think we will first hear from Mr. Palak.

TESTIMONY OF RICHARD G. PALAK, SPECIAL AGENT, IMMIGRATION AND NATURALIZATION SERVICE, NEW YORK DISTRICT OFFICE [6]

Mr. Palak. Mr. Chairman, and members of the subcommittee, I am Special Agent Palak, assigned to the Entitlement Frauds Unit in the U.S. Immigration and Naturalization Service's New York district office.

This unit was formed in 1983 in order to identify illegal aliens who fraudulently apply for and receive Government-financed program benefits earmarked for U.S. citizens and permanent resident aliens.

I understand that you are specifically interested in my experience regarding the extent of Nigerian nationals involved in criminal activities including student loan fraud and other types of entitlement fraud. I appreciate the opportunity to appear here today to discuss my involvement in these matters.

In February 1982, an informal task force was established in New York City dealing with illegal aliens who applied for and received federally guaranteed student loans by claiming to be U.S. citizens or permanent resident aliens. The task force consisted of one special agent each from the FBI, Immigration, and the U.S. Department of Education's Inspector General's Office.

The FBI and the U.S. Department of Education Inspector General's Office were originally made aware of alien student loan fraud by the New York State Higher Education Services Corp. This is a State agency which monitors student loan applications in New York State.

The New York State Higher Education Services Corp. established a fraud unit in the latter part of 1979, and by the fall of 1980, it had identified hundreds of potentially fraudulent student loan applications. Fraud was suspected because of the use of nonexistent social security numbers on the applications.

Address matches revealed a significant number of loan applications with foreign sounding names and fraudulent Social Security numbers also emanating from specific addresses. Multiple applications with similar handwriting in different names at the same address were also uncovered. Lists of potential targets were compiled from these applications. We checked these lists against INS records and determined that a large percentage of the names were illegal aliens.

We first focused on individuals who applied for student loans using multiple names, dates of birth and addresses, as well as addresses from which came a large number of student loan applications with names that appeared to be alien. The venue for prosecuting the vast majority of cases was in the eastern district of New York, and to a lesser extent in the southern district of New York. Most of the individual fraud was less than $10,000. Because the southern district placed fewer restrictions on accepting cases our task force set out to establish impact type cases within that venue.

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[6] See p. 99 for Mr. Palak's prepared statement.

Ten unrelated individuals were arrested simultaneously in that task force operation. The 10 included 5 Nigerian nationals, 1 Kenyan, 2 Haitians, 1 Iranian and 1 from the Island of Dominica.

[Senator Nunn left the hearing room at this time.]

The total fraud amounted to approximately $100,000. All had claimed to be U.S. citizens or permanent resident aliens to qualify for these loans, when in fact they were not.

A similar impact type investigation was attempted in the eastern district of New York, which was known as Operation Highrise, and it involved the identification of the tenants of a 15-story apartment building in Brooklyn, NY. This effort resulted in the identification of 44 illegal aliens, of which 13 were Nigerian nationals who perpetrated student loan fraud.

Based on the identification of these individuals, the FBI and INS special agents entered 55 out of a possible 180 apartment on June 10, 1982. Four of 13 criminal arrest warrants were executed, and an additional 21 illegal aliens were placed under deportation proceedings. All except five were Nigerian nationals.

A lot of media attention was generated from these operations resulting in feedback from the public. Informants came forward regarding illegal aliens receiving student financial aid. A number of local colleges requested information on how to identify illegal aliens on their student rolls whom they suspected were obtaining student aid illegally.

While the student loan fraud task force was not established to target any specific nationality, it became clear that most of the student loan fraud being perpetrated in the New York City area was being done by Nigerian nationals who were illegally in the United States. Most of the detected fraud involved Nigerian males but a number of females were detected also.

The typical Nigerian who perpetrated these frauds was found to be between 20 and 40 years of age. He or she entered the United States with nonimmigrant visitor or student visas. Those with visitor visas usually overstayed the visas or accepted employment, making them deportable from the United States.

If they entered the United States with student visas, they would violate their visa status by changing schools without INS permission, accepting unauthorized employment or by overstaying their visas.

A significant number of these Nigerians also entered the United States with diplomatic visas, either as employees of the Nigerian mission to the United Nations, or the Nigerian consulate in New York City. Nigerians who entered the United States in this manner were often found to be carried on the rolls of the mission and the consulate, but their credentials were never actually presented to the U.S. Department of State.

It was discovered that often these individuals actually never actually worked at the mission or consulate. In any event, these individuals were found to be attending local colleges and vocational schools as U.S. citizens or lawful permanent resident aliens using their true Nigerian names.

Nigerians would support their claim to U.S. citizenship and permanent resident status with the use of counterfeit U.S. birth certificates, usually from the U.S. Virgin Islands, or alien registration cards. These documents would be used to register at school and to apply for financial aid.

Numerous Nigerians arrested for student loan fraud were found in possession of fraudulently obtained credit cards and photo identification cards. The credit cards bore American names and related to actual people whose Social Security numbers, occupations, income, and other information were obtained by the Nigerians.

The identification cards are easily obtained in novelty shops in midtown Manhattan. The identification cards were usually student ID cards or company ID cards, usually from large corporations. It was not unusual to find 10 or more pieces of identification and credit cards relating to a like number of aliases on an individual when he was arrested. Applications used to obtain these credit cards usually contained addresses which turned out to be mail drops.

The Nigerians with whom we came in contact with were all highly educated, but they did not usually accept employment commensurate with their credentials. The typical Nigerian will attend classes during the day, and at night will drive a so-called gypsy cab or work as a security guard for minimum wage for private security companies.

As a security guard, the Nigerian has unhindered access to corporate office buildings during times when most office buildings are closed. For example, a large number of Nigerian nationals were arrested in INS sweeps while working as security guards for private security companies under contract to the New York Telephone Co.

The Nigerians would be assigned posts in telephone company installations throughout the New York metropolitan area. While in these installations, the Nigerians would obtain the names and Social Security numbers of contract workers for the telephone company. These contract workers would gain access to telephone company property by signing in with their name and Social Security numbers.

The Nigerians would take this information, obtain photo identification cards with their own photographs and the obtained information, and apply for credit cards using the gleaned information and a mail drop as their address of record.

It was while checking out credit cards seized during the course of arresting Nigerians for student loan fraud that our task force became aware of the magnitude of the total Nigerian fraud nationwide.

For a number of years, investigators employed by banks and major credit lending institutions have identified Nigerian credit card fraud perpetrators and mail drops through painstaking legwork. They have developed cases which have been prosecuted through the auspices of the U.S. Postal Inspection Service, the U.S. Secret Service, and the local police agencies.

I have attended numerous external fraud committee meetings consisting of bank investigators and law enforcement officers. The meetings were invariably dominated by matters relating to Nigerian bank and credit card fraud.

A typical Nigerian arrested for student loan fraud was also found to be in possession of two or three Nigerian passports which did not usually contain U.S. visas. The reason that Nigerians are able to possess multiple Nigerian passports is that there is no birth recordkeeping system in Nigeria. Someone purporting to be an individual's immediate relative would appear with that individual at the Nigerian ministry responsible for issuing birth documents. The relative would sign an affidavit attesting to the individual's birth and a birth record would be issued. With this document, the Nigerian could now apply for a Nigerian passport and subsequently a U.S. nonimmigrant visa.

Informants have stated that Nigerian passports are readily available on the streets of Lagos, Nigeria. During the course of our investigation, we have intercepted personal letters to Nigeria wherein passports are ordered through friends or relatives. The desired name and physical description accompanies the order. It is for this reason that Nigerians are able to return to the United States at will after they have been deported.

The task force dissolved upon the completion of a final impact type investigation in late 1984. This came about when the U.S. attorney's office in the eastern district, because of priorities, was reluctant to prosecute student loan frauds on any terms. The southern district also set a threshold of $10,000 per individual fraud. As previously stated, the vast majority of individual fraud cases amounted to less than $10,000.

As a result, the FBI withdrew from the task force. The inspector general's office of the U.S. Department of Education continued to work student loan fraud cases with INS both on a Federal and local level. Ultimately, State and local prosecuting officers were reluctant to prosecute individual frauds. The inspector general's office withdrew its cooperation in early 1986. During its tenure, the task force prosecuted 53 illegal aliens for student loan fraud.

Since the dissolution of the task force, INS's Entitlement Fraud Unit of the New York district office has continued its close relationship with the New York State Higher Education Services Corp., and continues to identify illegal aliens who fraudulently apply for student financial aid.

The unit works closely with other Federal, State, and local law enforcement agencies in attempting to identify illegal aliens and in particular, illegal Nigerians who are involved in credit card and other types of fraud. If a Nigerian is arrested for credit card fraud, for example, a check is made for student loan fraud. If venue can be established, the arrested individual is sometimes charged with that offense as well.

Strict New York State privacy laws make it virtually impossible for the Entitlement Fraud Unit to identify any illegal aliens who are in receipt of welfare, medicaid, food stamps, and unemployment benefits. It is only by convoluted, time-consuming investigative efforts on our part that we are occasionally successful in this area.

A significant number of illegal aliens have been found to be residing in section 8 HUD housing. However, illegal aliens are not precluded from receiving section 8 benefits so we can only refer cases to HUD offices where we can articulate that a fraudulent housing application has been submitted.

Nigerian informants are very difficult to develop. In 1983, an informant provided detailed information to the FBI outlining an international network of Nigerian nationals headquartered in Brooklyn, NY. The informant called this organization the Nigerian International Students Association with a leader at the head of each of seven families located in seven areas throughout the United States.

The organization is mostly involved in credit card fraud, but it is also involved in check kiting schemes, and student loan fraud. The organization has its roots in Nigeria and is operated with impunity because of highly placed connections within the Nigerian Government.

Members of the group have been placed as employees in banks with access to sensitive information and computers. At the time the informant made these allegations, the organization had been in existence for at least 5 years and had stolen millions of dollars. All subsequent efforts to verify this information were fruitless.

Other than this one instance, no organized structure has ever manifested itself during my experience in dealing with Nigerian fraud schemes. The Nigerians appear to be made up of loosely organized groups, which revolved around centers of education. Nigerians spread the word among themselves on how to take advantage of various benefit programs and how to perpetrate fraud schemes. Those who are involved in these schemes are usually from the Yoruba or Ibo tribes. Those born prior to 1960 usually have very identifiable facial tribal scars. When caught or arrested, they lie about their biographies. They will tell a different story about name, address marital status, employment history, and nationality to every person who interviewed them during the arrest and arraignment process. Many times, when Nigerians are arrested, their immigration status is complicated because of the involvement of sham marriages to U.S. citizens.

I believe that the law enforcement community as a whole is aware of the Nigerian fraud problem on a national level. I believe that most are willing to cooperate with one another in dealing with the problem, but lack the coordination needed in order to make an impact on the problem.

Some agency is necessary to serve as a clearinghouse of disseminate information and keep track of the whereabouts of individual Nigerians. The courts must learn to recognize the Nigerian fraud schemes as a major problem and mete out harsher sentences.

Deportation is not a deterrent because Nigerians are able to return to the United States at will. The ready availability of fraudulent identification documents will enable Nigerians to continue their schemes unchecked. Their overall activities in the United states can be likened to economic terrorism.

Mr. Chairman, this concludes my statement. I hope that I have addressed your interests.

Chairman ROTH. Thank you, gentlemen.

It is a rather depressing statement. You say that you don't find that deportation is any answer to the problem, because they can enter at will.

Mr. PALAK. Yes, sir, because of the fact that they are able to obtain a totally different passport, and create a totally different identity. They are able to apply for a legitimate visa at the American Consulate, and come back in with another tourist visa or some other sort of nonimmigrant visa.

Chairman ROTH. Is there any need, then, of having anybody in the courts, if we can't keep anyone out?

Is that true only of Nigerians, or is that true that really anybody in the world can enter this country at will?

Mr. PALAK. It is mostly true of Nigerians because of the lack of birth record keeping ability. There is no central repository of birth certificates. To get a birth document issued, apparently, requires an affidavit from someone purporting to be a relative. They will issue a birth document based on that affidavit. Once you have that birth document, you can legitimately apply for a Nigerian passport.

Chairman ROTH. Let me ask you this. If the Nigerian Government cooperated, would there be a way of preventing that?

Mr. PALAK. If they cooperated in tightening their issuance of passports, it would be positive help.

Chairman ROTH. Would you recommend that as a step?

Mr. PALAK. Yes, I would.

Chairman ROTH. Let me ask both of you, gentlemen, do you think that these credit card frauds and the others, which are found to be exploited by a number of Nigerians, is a result of organization, or just sort of an informal, ad hoc problem?

Mr. BIEGELMAN. Some organizations do exist. There have been gangs that we have investigated and arrested those individuals. By far the largest amount of individuals doing this is just that, individuals, who have learned from other people, and thus do the crime. It makes the problem so serious because it is not just one gang that you can target. You have all these different individuals out there doing it and teaching other people.

Chairman ROTH. You say that there are some organizations. What is the nature of those?

Mr. BIEGELMAN. Gangs of people who get together to do this. Some individual will make the applications and send them in, and others will use the cards, buy the merchandise, and others will just fence the items. It is a gang structure, but it is not a gang per se. It is more of a gang for the continuation of the crime.

Chairman ROTH. You mentioned in your testimony, I think, about the number of fraudulent credit cards and other documents picked up. Do you have any examples of those?

Mr. BIEGELMAN. Yes; I do.

One of the things that we have found is that Nigerians like to carry briefcases when they do these crimes, and that is for two reasons, one of which is that briefcases make them feel important, plus it gives them an aura of authenticity when they go into the banks and other places to do these crimes.

This is a briefcase that I took from a Nigerian that I arrested earlier this year. Inside the brief case, we found a number of items, and this is typical of the items that are found. In this particular one, I have a wallet for credit cards, numerous credit cards in the individual's name. In addition there are ID's, driver's licenses, bills, of course, which never were paid.

In this particular one, there was an envelope from the Department of State Passport Office, and inside was a passport in the name of Cornelius Gray, yet it had the photograph of the defendant who was arrested. He, as an illegal alien, was able to obtain a legitimate U.S. passport.

Chairman ROTH. This was an American passport?

Mr. BIEGELMAN. Yes, it is.

Chairman ROTH. And he is a Nigerian citizen.

Mr. BIEGELMAN. Yes, he is.

In these briefcases, besides, of course, credit cards, we also find completed and partially completed credit card applications, and these are just some examples which we found in this and other briefcases. These are to banks throughout the country in various names, and also many times they do use their own name, but put down false information as to where they may work, and they don't.

They are also very good at keeping lists of information as to what banks they may have defrauded, so they know what applications are being sent out. In this particular briefcase that we seized at the time of arrest, the defendant had a listing of all the names he had used, the Social Security numbers, and other pertinent information, so he would remember to do this in the future, and he knew what names and addresses to use.

In another briefcase which we took on search warrants, which were conducted on November 1985 one of the inspectors doing the search found a notebook. The notebook is a typical college notebook from the Borough of Manhattan Community College. The inspector going through it, started going through the notebook, and initially he saw some notes from college, and it didn't mean too much, obviously. But as he went through the notebook, he came to a page of names, Social Security numbers, and other identifying information. Initially, the names didn't mean too much, although as he went down the names, some of the names were victims that we were investigating at the time, but what really caught his eye were names that he recognized immediately such as Walter Cronkite from CBS, Ed Bradley from CBS, and other CBS employees. What this list is, is a list of CBS employees that was taken from information at CBS by Nigerian nationals who had infiltrated the company as security guards. Of course, credit cards were issued in many of these names.

Chairman ROTH. How many credit cards, false credit cards, did you find on this one?

Mr. BIEGELMAN. On this particular individual that we arrested?

Chairman ROTH. Yes.

Mr. BIEGELMAN. He was responsible for about 10 different names, but ultimately I think it was about 25 to 30 credit cards in those names that were issued.

Chairman ROTH. Do you see the problem increasing, or what is the current trend in this area?

Mr. **Biegelman**. From what I am seeing in New York, it is an increasing problem, obviously, because it is an easy crime to commit, and it is the kind of crime where you can teach another person how to do it relatively easy. It is a financial crime, and money is an important thing to these individuals in this country. We are finding that the problem is increasing.

Chairman **Roth**. Is part of the problem that the issuers of the credit cards, in their zeal to market, are making them too readily available?

Mr. **Biegelman**. That definitely is a problem, of course. I think in response to that, the credit card issuers are realizing the losses that they are taking are becoming astronomically high, and they realize that the key to this is going to be prevention, or they are going to be in very bad financial shape. Thus, the banks that I am aware of, the banks that I deal with, and other credit card issuers are now getting heavily involved in prevention techniques to limit the amount of these applications getting through.

Chairman **Roth**. Have you come across Nigerian fraud training manuals, either one of you?

Mr. **Biegelman**. I have heard, and I have been informed by other law enforcement agencies that they have found "Nigerian fraud training manuals," but these are not manuals that are put together by Nigerians. What these are are manuals which are obtained legally through the mail from various organizations that sell "how to," how to commit fraud, how to obtain credit cards, or whatever.

What I am finding is that Nigerians are obtaining these manuals to teach them how to obtain credit cards.

Mr. **Rinzel**. Did you say that they were legally sent through the mail; I didn't understand that.

Mr. **Biegelman**. There are "how to" manuals, how to obtain credit cards, and there is nothing illegal in doing that.

Mr. **Rinzel**. Not how to fraudulently obtain credit cards.

Mr. **Biegelman**. They have disclaimers in the front, this is not to be used, obviously, for any kind of fraud. What the individual person does with it, once he receives it, is each individual's choice.

Mr. **Rinzel**. Do you believe that these people who put these manuals together know that they are going to be used for illegal purposes?

Mr. **Biegelman**. My personal feeling is yes.

Chairman **Roth**. Mr. Palak, you stated in your testimony, I believe, that part of the problem was the privacy laws.

Mr. **Palak**. In trying to uncover entitlement frauds in a proactive type of situation, where we would want to check out—where we have a number of illegal aliens that we would want to find out if they were actually in receipt of welfare, there is no mechanism to check to see if they are actually receiving it. The privacy laws preclude social services from giving us any sort of information regarding who might be on the welfare rolls, and that also includes unemployment benefits as well, Medicaid, and things of that nature.

Mr. **Rinzel**. Is that a matter of New York law?

Mr. **Palak**. I am just familiar with New York law. In New York, we have no cooperation whatsoever in receiving that sort of information.

Mr. **Rinzel.** Even for Federal entitlement benefits?

Mr. **Palak.** We cannot, on an investigative level, request record checks from those agencies. They will not supply us with information.

Chairman **Roth.** Because of the New York laws.

Mr. **Palak.** Right. We do many times find identification cards on the person when we arrest him indicating that they might be in receipt of unemployment benefits and/or welfare benefits, but the most we can do is pass the information along to those agencies.

Chairman **Roth.** You may have heard me ask the question earlier, it has been my understanding that a number of Federal courts have directed INS or Federal agencies not to use certain convictions for deportation proceedings. Has that been a problem, Mr. Palak?

Mr. **Palak.** It has arisen in a number of our student loan cases, if an individual is convicted for a student loan fraud, it was requested at the time of sentencing that the conviction not be used against that particular individual for deportation purposes, and the judge has ruled in favor of the alien, where we could not use that particular conviction for deportation purposes.

A lot of times, however, a person is deportable on other means, either by overstaying a visa, not having anything to do with the conviction. Many times there are a number of administrative deportation charges that can be levied against an individual, but it has been done.

Chairman **Roth.** Again, in your testimony, you urge that there be some kind of a clearinghouse to disseminate information and keep track of individual Nigerians. Has any effort been made, to your knowledge, to promote this suggestion within the executive branch?

Mr. **Palak.** On a small scale, in New York City, the Brooklyn district attorney's office, the economic crimes unit had a task force where they were trying to keep track of local Nigerians who are perpetrating this type of white collar fraud, credit cards, check kiting, and things of that nature, but that is no longer in existence.

Chairman **Roth.** I gathered that what you had in mind was a national agency.

Mr. **Palak.** A national agency that had the facilities. Part of the problem is that in other parts of the country, Nigerians are known to travel to places like Kansas City, Louisiana, and nobody there really is familiar with the Nigerian problems to a great extent. I get phone calls from all over the country asking about individuals, or attempting to identify individuals who some local policy agency might have in custody, to try to determine who or what that person is. Usually it turns out to be an illegal Nigerian who is attempting to perform some sort of credit card fraud.

Chairman **Roth.** Let me ask you. In the area of student fraud, what sort of cooperation have you gotten from the schools themselves?

Mr. **Palak.** Again, for the most part, the schools are fairly cooperative once they have been educated to what has been going on. Again, there are privacy laws there where they can only divulge so much. They have cooperated in the sense that if we request information such as is this person attending school, and they will tell us.

Chairman **Roth**. What about the activities of the Nigerian Embassy or Consulate, are they cooperative, or have they been interfering in your activities in any way?

Mr. **Palak**. On my level, I don't deal that much directly with the consulate or the Embassy. The problems arise in attempting to deport individuals if they don't have a valid travel document at the time of arrest. We have to obtain a travel document at the time of arrest. We have to obtain a travel document from the Nigerian Government, and they are notorious in delaying, stalling, and not issuing documents timely.

Chairman **Roth**. Mr. Rinzel.

Mr. **Rinzel**. Mr. Biegelman, what happens to an individual who has his or her name and Social Security number, in effect, stolen by one of these Nigerian nationals, and used in a credit card scam? What happens to their credit rating, and what kind of problems do they face?

Mr. **Biegelman**. Basically, it is a horror story for the individual. The banks, because of liability, assume the losses so the individual does not have to pay the losses out of his pocket, but the real problem is the effect on the individual's credit rating.

There are numerous credit bureaus throughout the country that receive reports. When these bills aren't paid, the individual is listed as delinquent on his payments, and his rating is made very low, or possibly the lowest rating that is possible, thus, he can't get credit.

Even after the individual advises one or two credit companies that this is a fraud, and his name was used without permission, many credit bureaus don't believe the individual. They say, no you are just trying not to pay your bills. Even if you do clear up the problem with a few companies, you still have to contact every credit bureau and try to alleviate the problem with them.

I know of cases where the people, after a year or two after the fraud, and after they have done the contacting with the credit bureaus to clear up their name, they still have problems getting credit, including credit cards, mortgages, and other loans.

Mr. **Rinzel**. In your experience, what kind of sentences have been imposed by the courts in the cases that you have brought to trial, or have gotten guilty pleas on?

Mr. **Biegelman**. The majority of my cases are within the eastern district of New York, which covers Brooklyn, Queens, and Long Island. We are finding, using credit card mail fraud, we are getting an average of 3 to 4 years on first offenses. In addition, the judges are now ordering these individuals to be deported after serving their sentences. Considering that they are first offenses in many cases, I think the time is pretty good.

Mr. **Rinzel**. Is this an increase, and has it gotten better than it was in the past?

Mr. **Biegelman**. Absolutely. In prior years, in most cases, the individuals were arrested, and if they were found to be illegal, they were just deported. When we learned that they were quickly coming back to this country, that it was a revolving door, obviously, sending them back to their country was not a solution. Thus, putting them in jail for at least 3 to 4 years, if you can get that kind of sentence, which we are finding we are getting, I think that it is going to become a deterrent.

I believe it is because I am finding a number of Nigerians that I am arresting in the last 6 months are now cooperating because of these jail terms, and I think that it is having a positive impact on the problem.

Mr. **Rinzel**. Speaking as an individual agent, what can you tell us about the effect of the recent legislation which gave the Secret Service jurisdiction in the credit card abuse area? What effect is that having on your operations?

Mr. **Biegelman**. My personal opinion is that it is great. Any time you can get more legislation and more agency involvement in the problem, you are going to have a greater solution rate.

The Secret Service, from my personal relationship with the agency in New York, working in joint cases, it has been a very fruitful liaison. I have found that there has been a greater number of investigations and prosecutions because of that, not only in Nigerian credit cards, but all credit card related matters.

Mr. **Rinzel**. What kind of cooperation have both of your agencies had with the FBI in this area? Has the FBI been active in this area?

Mr. **Biegelman**. I have had active investigations with the FBI involved in those investigations.

Mr. **Rinzel**. What does that mean, "active investigations"?

Mr. **Biegelman**. Investigations where myself and an FBI agent have worked in a joint investigation.

Mr. **Rinzel**. Did that prove fruitful?

Mr. **Biegelman**. In that one case, it did. I have a number of active cases with the FBI jointly. In previous cases, my cooperation with the FBI on Nigerian fraud cases has been excellent.

Mr. **Rinzel**. Mr. Palak, you indicated that this task force in New York has been terminated.

Mr. **Palak**. With regard to student loan frauds. We do continue to cooperate with other agencies, such as Postal Inspection, the Secret Service, and the FBI with regard to other types of Nigerian fraud.

Mr. **Rinzel**. Was my understanding correct that the reason it was terminated was basically because the U.S. attorney's offices in the eastern and southern districts of New York refused to prosecute such cases?

Mr. **Palak**. It is not that they refused. Because of priorities, as I stated, they set a threshold of individual fraud.

Mr. **Rinzel**. Of $10,000 in the southern District.

Mr. **Palak**. It is $25,000 in the eastern district, and most of the individual fraud is less than $10,000.

Mr. **Rinzel**. We would assume, of course, that the U.S. attorneys would be well-aware of what most of the fraud was and set those limits.

Mr. **Palak**. I don't know if they are aware of what most of the fraud is, but like I said, there are so many of these fraud cases, they had to set a line somewhere.

Chairman **Roth**. Let me ask you a question. You heard, perhaps, our earlier questioning about some processes not permitting these people to stay here who violate American laws. As you said, currently, deportation is not much of an answer because, for the reasons you outlined, they can return. Do you think that by simplifying the processes, because I think you are right, the U.S. attorney's offices don't prosecute because they have too much on the plate and they are taking those which they think are more important, whereas collectively this may be just as important, although the dollar amounts individually may not be so high.

Do you see any possible solution to the problem by seeking better cooperation from Nigeria on the birth certificate or whatever other steps, plus some simplified procedure?

Mr. PALAK. Probably a better procedure would be to set up a mechanism wherein if a Nigerian national is convicted of a crime, such as credit card fraud, or drug smuggling, or student loan fraud, and he is, in fact, deported back to Nigeria, that the Nigerian authorities take some sort of active recognition of it, possibly conducting their own investigation, or meeting these individuals when they return to their country, possibly even doing their own prosecutions, or keeping track of these individuals.

Chairman ROTH. I gather there are some cases, from earlier testimony, where that has been the case. Please proceed, I didn't mean to cut you off. Do you have anything else?

Mr. PALAK. No.

Chairman ROTH. Mr. Biegelman, do you have any thoughts on that?

Mr. BIEGELMAN. I think that this is a serious problem, but I think the most serious aspect that we can look at is the preventing aspect. We can arrest thousands of Nigerians, but it won't necessarily end the problem. I think that the banks and the credit card issuers can continue prevention, and upgrade prevention techniques, that probably is the key in credit card fraud.

Chairman ROTH. Let me ask you, and then we must proceed, Mr. Palak. How widespread is school aid fraud in the New York area?

Mr. PALAK. Since we started this task force—fraud was very widespread as far as student loans. It is my understanding from the New York State Higher Education Services Corp., who monitors these applications, that our activities in this area have greatly decreased detectable frauds. There is still some fraud going on, but it has vastly decreased. At least, it is more undetectable now.

Chairman ROTH. How much of this student aid fraud involved Nigerians?

Mr. PALAK. I can't give you accurate figures, but my impression is that it is possibly as high as 80 percent of all the fraud detected was Nigerians.

Chairman ROTH. Possibly 80 percent?

Mr. PALAK. Yes.

Chairman ROTH. Gentlemen, I appreciate you being here today. Your testimony has been most helpful. We may want to call further upon you. Thank you very much.

At this time, I am pleased to call forward Steve Simmons who is of the Georgia Bureau of Investigation. I know that Senator Nunn regrets that he can't be here, Mr. Simmons, for your testimony. Unfortunately, he is in a conference on armed services, and he had to return. If you would remain standing, we will swear you in.

Do you swear the testimony you will give the subcommittee will be the truth, the whole truth, and nothing but the truth?

Mr. **SIMMONS**. I do.

Chairman **ROTH**. Again, let me welcome you. If you can summarize your testimony, that would be helpful. In any event, the entire statement will be included as if read. Please proceed, Mr. Simmons.

TESTIMONY OF STEVE SIMMONS, AGENT, GEORGIA BUREAU OF INVESTIGATION

Mr. **SIMMONS**. Thank you, Mr. Chairman.

I welcome your invitation to testify today during this very important series of hearings on aliens involved in fraud. I have been a special agent with the Georgia Bureau of Investigation for 8½ years now, and I have been assigned to financial investigations during those 8½ years.

To give you a chronology of my involvement with Nigerian fraud, we had an arrest on December 6, 1979, where we identified another organized crime group involved in credit card fraud. We received a lot of publicity from the media in Atlanta on credit card fraud. As a result of this publicity, the business community, banks, and retail stores called us with complaints regarding credit card fraud.

We found, in doing investigations, follow-up investigations on those complaints, that the defendants or the suspects in the majority of those investigations were Nigerians. In 1980, we began keeping files on Nigerians committing credit card fraud in the metro Atlanta areas.

We also, in 1981, set up a task force to document crimes committed by Nigerians, and to keep up with all the individuals who were committing crimes. We noticed several things happening in 1981. The schemes they were using were not very sophisticated. They would apply for credit cards, which is the major crime of Nigerians, in their own Nigerian names. They would also use addresses that were located in one particular part of town. So it was very easy for investigators to identify who the suspects were, and locate them.

After we began to make significant arrests, we saw in 1983 that the level of sophistication used by Nigerians changed. For instance, they started using the names of real people. They started using private mail receiving services, as we call them, mail drops. The names of the real people came from the yellow pages, and they would use these real people's names to apply for credit cards.

Again, in 1985, we saw that not only did they use the names of real people, but they had acquired background information on the real individuals. That background information included names, Social Security numbers, dates of birth, addresses, and the number of dependents. The investigation revealed that they got this information by infiltrating legitimate businesses or corrupting people who were already employed in those legitimate businesses.

We saw over the years, from 1980 to 1985, a definite increase in the sophistication level of Nigerians involved in criminal activity. What we also saw, from 1980 to 1986, was that the type of person—not the type of person, but the entity of Nigerians being involved in crime—also changed.

In 1980 and 1981, it was my opinion that we had individuals who were committing crimes for their own personal profit. In 1983, we saw the identification of criminal sales, where we had people, anywhere from 6 to 15 individuals, gathering together and conspiring to commit crimes.

Also in 1983, we began an investigation in Atlanta, along with the Atlanta Bureau of Police Services, to determine if we had an organization committing crimes, or if we had individuals committing crimes. As a result of that investigation, we received information, and I have a chart here, if I could show that to you please.[7]

What we tried to do in 1983 was to determine if we had a criminal organization or if we had individuals committing crimes. The first hint that there was a very structured organization came from reports from Baton Rouge, LA. The Baton Rouge Sheriff's Department arrested several Nigerians on credit card fraud, and one of these Nigerians gave a statement to the investigator. In that statement he said that a group of Nigerians had gotten together and formed a criminal organization, and in that criminal organization, they had divided the country into geographical areas. In those geographical areas, there was a lieutenant that controlled the criminal activity in that geographical area.

He identified the lieutenant in the Southeastern United States as driving a Rolls Royce and living in Atlanta, GA. He also identified a former student at Southern University as being the right-hand of that lieutenant in Atlanta, GA. Coincidentially, as we received the information from the Baton Rouge Sheriff's Department, we also received information from an airline regarding a shipment of a 1983 Rolls Royce and a 1983 Mercedes from Antwerp, Belgium, to a Nigerian living in College Park, GA, by the name of Owalari Olabisi Fawole.

In checking Mr. Fawole's background, we found that he did, in fact, already own a 1982 Rolls Royce, and a 1982 Mercedes. We did a search warrant on Mr. Fawole's residence in 1984, and we started finding evidence of the crimes we were investigating at that time. We also found two passports. One passport was in the name of Mr. Fawole, and the other passport was in the name of Babatunde Thomas Alabi, and the picture on Mr. Alabi's passport become very important because during a Customs investigation, they found that Mr. Alabi had brought $700,000 into the country, and declared it each time, and each time he declared that money under the name of Alabi, he committed a felony.

We also received information that Mr. Fawole was connected to a major drug smuggling operation in Baltimore. Mr. Fawole was indicted by the eastern district of Virginia, and later pled guilty to the currency violation. Once he was released from jail, he came back to Atlanta.

A couple of months after he came back to Atlanta, we were able to buy 2 ounces of heroin from Mr. Fawole, which proved to us that he was, in fact, involved not only in credit card fraud, but in a major heroin operation.

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[7] See p. 122.

The other people here are individuals that we identified. These two people are interesting, Mr. Borokinni and Mr. Sule. Mr. Sule was arrested at the Atlanta Airport for bringing heroin from Nigeria. Mr. Borokinni was arrested at Dulles Airport near Washington, DC, bringing in heroin.

These people, Mr. Adeyeye, is a major credit card operator in Atlanta, probably the biggest one that we have identified at this particular time.

To give you some identification of the structure, we found that we have on the bottom, this soldier, the person who goes out and applies for the credit cards, receives them in the mail, and shops with them.

Then we have a sales leader. Mr. Adeyeye is the person we identified as being the sales leader, and he, of course, reported to Mr. Fawole.

We had a couple of other investigations, and we found other people who had specific roles in this organization. One was Mr. Abbe Alao. Mr. Alao's role in the organization was to travel from college to college, recruiting Nigerians into the organization. He was recruiting them, and asking them to make credit applications, set up post office boxes, and then teach them how to shop on those particular credit cards.

We also identified a person, Sonny Akin. Sonny Akin traveled from Florida to Georgia and the east coast, and his role was to bring credit cards that had been used in Florida and Georgia and exchanged them, and he did this all the way up the east coast. One reason why this was necessary was because the credit cards, where they are on a black list, they are on the black list by geographical area. So a credit card can be hot in the Southeastern United States, but you can take it to the Midwest, and still use it because it hadn't been black listed. So this person moved from jurisdiction to jurisdiction, exchanging those credit cards.

This is why we felt we had a very structured organization in the Southeastern United States. But also we recognized the fact that besides a very structured organization, we still do have individuals who commit crimes for profit, and we also have what I like to term "free agents."

We have identified people who, for a fee upfront, will instruct other Nigerians on how to commit credit card fraud. We identified one such person in LaFayette, LA, who for a fee of $2,700 would take Nigerians to Boston where he would acquire a false identification for these persons, bring them back to Louisiana and teach them how to go to banks and set up checking accounts, and then how to withdraw the money from the bank.

All of the criminal activities that the Nigerians are involved in have been covered by the people before me. One of the big schemes that they are becoming involved in, and they have been involved in for some time, is insurance fraud. There are two types of insurance fraud that they are involved in.

One is life insurance fraud. Essentially what happens with life insurance fraud is a Nigerian will take out a life insurance policy. That policy is generally in the name of a fictitious person, who is also a Nigerian. He also takes out the policy with more than one insurance company. Once the effective date of the policy occurs, a claim is filed with that particular insurance saying that the Nigerian went home on vacation or on business, and he had an accident.

Once the claim is filed with the insurance company, all of the necessary documents which would prove the death of that person are submitted also, those documents being a death certificate, a burial certificate, an obituary from a newspaper, and even an article referring to that particular accident. Once the insurance company receives these documents, they will, of course, make a check payable to the beneficiary, who is the suspect.

This was a big crime, particularly on the west coast, Oregon, and those particular States, where they lost millions of dollars to this particular scheme.

The other insurance fraud scheme deals with automobile accidents. There are two types that generally occur with this. One type, an individual will either deliberately damage his vehicle, or he will have damage already on the vehicle. He will apply for an insurance policy, not only with one company, but with multiple companies. He will have an accident, or say that he had an accident, file a claim with the insurance company. The insurance company will direct him to have the vehicle appraised. Once they receive the appraisal, they will write a check to the individual for the amount of the damage done to the vehicle.

In essence, what happens is that the damage, if there is any damage to the vehicle, and there generally is, it was purposely done by the suspect, and the suspect is then reimbursed not by one, but by several insurance companies, for that particular damage.

The other scheme, a group of Nigerians, at least two, will agree to stage an accident. They will meet at a particular time at a particular place. They will run into each other, and they will claim bodily injury. This, of course, involves a doctor, generally a chiropractor, and an attorney. They will file medical claims, lost wage claims, and the insurance company, again, we are talking about more than one insurance company, will pay off those claims to the persons.

The response of law enforcement to crime by Nigerians has been basically the response of an investigator, be it a Federal or State, who has taken an interest in this type of crime, and set out to investigate. The law enforcement efforts have been generally targeted toward low-level violators. However, there have been intelligence meetings around the country where they talk of a central intelligence computer or a clearinghouse has been discussed, but there has never been one set up.

We maintain a very big intelligence file within the Georgia Bureau of Investigations on information we receive from the metro police department and other departments like LAPD. I think that in order for law enforcement to get a very good handle on this particular problem, we need, No. 1, a new investigative technique rather than the old traditional technique, and that will include proactive investigations such as sting investigations, probably undercover investigations, and definitely multiagency task forces.

The only way it can be investigated effectively is for multiagency task forces, that being State, local, and Federal investigators, working together to address the problem.

That is basically my statement, in summary, and I will be glad to answer any questions that you have.

Chairman ROTH. I want to express my appreciation, Mr. Simmons, for your very articulate statement. It is most helpful.

Let me go for a moment to the chart.[8] Do you think that this kind of network that you find in the southeastern United States is found elsewhere, or do you think that this is peculiar to your region?

Mr. SIMMONS. I don't think that it is peculiar to our region. I have communication with the Los Angeles Police Department, where their investigators do a lot of work on Nigerians, and they have identified a similar structure in Los Angeles.

Just from reviewing the information that the permanent subcommittee investigators have accumulated, we have already identified certain things that I feel are patterns which show organization. I think that the information is available to show that there is, in fact, a large organization in existence, but there is nobody to look at that information and analyze it, and come up with the results.

Yes; I think that this exists in the Southeast, and I think that the operation exists across the United States.

Chairman ROTH. In the more traditional organized crime, there are, of course, these families in the various regions, and they also purportedly have some national syndicate, if you want to call it that. Do you think that there is that same relationship between the regions, or do you think that these have sort of developed independently?

Mr. SIMMONS. One thing that is important about Nigerian crimes is that they don't—the organizations don't exist to compete against each other. Cooperation is more the word than competition. We find that criminal cells that exist in other cities around the country communicate on a daily basis with each other.

Competition is not a problem. They operate more cooperatively than they do on a competitive basis.

Chairman ROTH. Is there any evidence that these networks are controlled, or participated in, in any way, by Nigerians in the home country?

Mr. SIMMONS. I can't say that they are controlled by Nigerians in the home country, but we do know that there are confederates in Nigeria who assist these particular groups. For instance, before the Nigerians were able to use credit cards directly to go to an ATM machine and get cash, they had to buy merchandise, and then fence that merchandise to get cash.

What you had was a lot of merchandise being purchased, going to Houston, or going to New Orleans for shipment to Nigeria, where it was sold on the black market. So we know that there had to be confederates in Nigeria who received those goods and sold them on the black market.

So, yes, we know that there are confederates who are assisting this organized crime group in Nigeria, but I can't say at this point whether the people who control the organization are in Nigeria.

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[8] See p. 122.

Chairman ROTH. To your knowledge, has any effort been made to bring the State Department and the Nigerian Government into this matter on that kind of fencing you are discussing?

Has there been any effort to solve it at the higher government level that you are aware of?

Mr. SIMMONS. The response from the State Department and the Nigerian Government that I know of, let me explain it to you.

We had a seminar in Atlanta in 1983, and we invited police officers from all over the country to attend that seminar to address that particular problem. The consul general in Atlanta at that time wrote a letter of protest to the Governor and to the mayor about this particular seminar. We, in turn, met with the consul general at that particular time.

We did have our conference, and we invited the consul general to the seminar. Since that time, I have a very close working relationship with the consul general in Atlanta.

We also received a call from the State Department regarding the conference. It was merely a call, which inquired as to the nature of the seminar and the letter that had been written to the Governor and the mayor.

I have worked with the State Department, specifically State Department Security, on Nigerian cases and other criminal investigations, and the Security Department has been very helpful in the investigations that I have worked on with them.

As far as any formal talk between our State Department and the Nigerian Government, I am not aware of that.

Chairman ROTH. You may have heard the testimony of the U.S. attorney from Washington that something like two-thirds of the heroin in Washington is trafficked by the Nigerians. How serious is the problem with drugs and Nigerians in your region?

Mr. SIMMONS. It is a growing problem. It is not as big a problem as it is in Washington and Baltimore at this particular time. However, we started a profile program with the Georgia State Patrol, trying to identify carriers coming from south Florida up Interstate 75. There have been several arrests just in the last couple of months of Nigerians, by the State patrol, who were bringing cocaine from south Florida up 75. This is something that we have identified in Georgia at this particular time.

The drug problem that we have in Georgia with Nigerians is more so cocaine than heroin. We have, of course, made heroin buys, particularly from Mr. Fawole, but the problem has been more cocaine.

We haven't really had a very big problem at this point because I don't guess we have addressed it as much as we have the credit cards fraud, but we do see an interesting pattern from people I know who are involved in credit card fraud now becoming more involved in the distribution of cocaine.

Chairman ROTH. On your chart, you have a number of names, which I assume the vast majority are Nigerians. Is that correct?

Mr. SIMMONS. They are all, but one, Nigerians.

Chairman ROTH. They are Nigerian citizens?

Mr. SIMMONS. That is correct, sir. I take that back, some of them are now resident aliens of the United States.

Chairman ROTH. But they are, as you earlier said, still Nigerian citizens.

Mr. SIMMONS. Yes, sir.

Chairman ROTH. Does it make sense to permit individuals to continue to be guests of the United States who are continuing to be violating the law, particularly with drugs, but in these other scams as well?

Mr. SIMMONS. It doesn't make any sense to me. From other law enforcement people that I talk to, it is a problem with them, that we allow these people to come as guests of the United States, and they engage in criminal activities.

However, we found that besides being police officers, we have to be educators, too. We have to educate prosecutors as to what the problems are, and why Nigerians should not be treated as a first offender when they are caught up in organized criminal groups, and they should not be let out on bond for $500, when they are going to continue this criminal activity.

We have one guy in Atlanta that we have arrested four times. Every time, he makes bond, and he is again engaged in criminal activity. It is a problem that law enforcement and police officers have in educating prosecutors, in educating judges, and other people to show them what the problem is, and then having address the particular problem.

Chairman ROTH. I think that you were here earlier, but we had some discussion about simplifying the procedures for expelling aliens who are guests of the United States, where they have been convicted of some major crime. Would it make sense to you to try to establish at the Federal level some kind of more simplified administrative procedures for such individuals who are exploiting the hospitality of this country so that they can be expelled.

Mr. SIMMONS. Definitely. As a matter of fact, it is very frustrating to a police officer to arrest an alien, be it a Nigerian, a Cuban, a Colombian, or whatever, and call the Immigration Service to put a hold on this guy and deport him, and first they tell you that they don't have anybody to respond to your request at that time. Then No. 2, you find them being frustrated because once they do put a detainer on him, they have to go through all of the hearings that are necessary to get this guy deported.

So we are frustrated because Immigration is overworked and then Immigation is frustrated because even if they take some action, it is not immediate action, and it is not effective action.

Chairman ROTH. I take it that Mr. Fawole is still in Atlanta?

Mr. SIMMONS. He is a Federal prison system now. I don't know if he is in Atlanta or not.

Chairman ROTH. What about these other gentlemen, you have a Mr. Davis, a Mr. Olateru, and a Mr. Adeyeye, are they still in Atlanta?

Mr. SIMMONS. Some of them have been arrested, and are out on bond, and where they are, I don't know. That is a very big problem. I am happy to hear that in New York, the Postal Inspectors are getting stiff sentences on their cases. In Georgia, we have a problem bringing these people to trial because once they are arrested, they are more than likely going to move to some other jurisdiction. If we do bring them to trial, we find that the judges give them probation or first offender treatment. It is a very big problem for us, arresting these people and then bringing them to trial.

Chairman ROTH. All I can say is that I find it incomprehensible that we let these individuals continue to reside here under these conditions. I have no more questions.

Mr. Rinzel.

Mr. RINZEL. Mr. Simmons, do you have any knowledge of Nigerian involvement in counterfeit currency?

Mr. SIMMONS. Yes. We had several arrests at Atlanta Airport where Nigerians came into the country with counterfeit money. The cases are referred to the Secret Service, but generally it is only one or two $100 bills, and the U.S. attorney has a tendency not to want to prosecute those cases, and we generally handle them at the State level.

Mr. RINZEL. Do you know what the background on this is, is there any kind of a network?

Mr. SIMMONS. I know what the Nigerians say once they are arrested.

Mr. RINZEL. What do they say?

Mr. SIMMONS. They say that they got the money on the black market in Nigeria.

Mr. RINZEL. What about car theft in the Atlanta area involving Nigerians, can you give us any details on that?

Mr. SIMMONS. I think that car conversion would probably be a better word. What happens is, a Nigerian will go to a bank and buy a car, or finance a car. He may pay the first month's note, or he may pay the second month's note, but generally what happens is these cars will be taken to Houston or New Orleans, where they are put on a boat for shipment to Nigeria. Once they get to Nigeria, they are sold on the black market.

Mr. RINZEL. What is your judgment about the level of cooperation you have gotten in the Federal authority area by all of the Federal law enforcement agencies, and maybe they are different. We would be interested in what your experience has been in dealing with INS, Postal, FBI, DEA, and others.

Mr. SIMMONS. The best thing that happened to credit card fraud in the last 5 years is the entry of the Secret Service into it. The Secret Service has been the best agency as far as State and local policy to deal with on this particular issue. I think that this is probably because the Secret Service has a history of cooperating with State and local officials in their protection details.

The relationship between our State and local people is excellent with the Secret Service. We also have a very good relationship with Customs, DEA, and Immigration. The problem with Immigration is that they don't have enough people to respond to all the requests that we give them. Our experience has been excellent with all Federal agencies.

Mr. RINZEL. You didn't mention the FBI.

Mr. SIMMONS. In Atlanta, the FBI do not actively investigate a Nigerian case. We generally handle that on the State level. If they get a request, or if they get information regarding Nigerian crime, they will refer that to the GBI, because they know that we are the lead agency in Atlanta on Nigerian cases.

However, if it is within an area where they have primary jurisdiction, they will handle that particular incident.

Mr. RINZEL. One concern, obviously, is that this network that you have described goes well beyond your jurisdiction in Georgia. It gets into a number of other States in the southeast region.

What kind of ability do you have to coordinate with other local law enforcement agencies? You suggested some kind of a joint task force of State, local, and Federal law enforcement. What are the problems in this area, and what can be done, given the fact that these enterprises or networks operate beyond one State?

Mr. SIMMONS. The ideal solution to that would be for a Federal agency, the FBI, or the Secret Service, to take the lead in the investigation against Nigerians and other emerging criminal groups. One of the foremost things that would be necessary is for them to maintain a central file on these people because they are so mobile. They move from jurisdiction to jurisdiction.

The ideal situation would be for a Federal agency to take the lead in the investigation, and readily establish a central intelligence file.

Chairman ROTH. Ms. Hill.

Ms. HILL. Thank you, Senator.

Mr. Simmons, you call this "an ongoing criminal enterprise," I think, in your statement. Has GBI, or any of the Federal investigative agencies, brought this intelligence to the attention of the organized crime strike force in Atlanta? If so, what is their reaction? Are they interested in this?

Mr. SIMMONS. We have brought it to the attention of the organized crime strike force. As a matter of fact, I was at a presentation by the U.S. attorney, whose name, I think, is Margolis, who handles the strike force.

Ms. HILL. He is the chief of the strike force, David Margolis.

Mr. SIMMONS. His statement, which I thought was very enlightening, he said, because of the good results the strike force has had on LCN investigations, that it may be time for them to look at other emerging groups, such as the Nigerians, Asians, and other groups.

Yes, if the strike force could get involved in this, that would be a very big help to State and local officials, because we already have State, local, and Federal officials on the strike force.

Ms. HILL. When was that statement by Mr. Margolis, and have you seen any interest since then in Atlanta?

Mr. SIMMONS. It was made this year at a school that we sponsored in Atlanta where he spoke. He was just speaking, basically, off the cuff, because I asked him the same question. He said that there may come a time when the strike force starts to address other emerging organized crime groups.

Ms. HILL. Do you know, since then, whether any of the Federal agencies or GBI actually has gone over and presented this kind of evidence to the strike force in Atlanta?

Mr. SIMMONS. No.

Ms. HILL. Do you know why?

Mr. SIMMONS. We probably haven't taken the initiative to do it.

Ms. HILL. Based on your testimony, you have made a strong case for a heavily organized organization. We had hearings, I think, 2 years ago on the strike force, and really one of the points that we were making was that they should be involved in this kind of thing as opposed to only LCN. I am not sure at this point in time that LCN is as big a problem in Atlanta as it might have been some years ago.

Mr. SIMMONS. I think the Nigerians, at this point, are a bigger problem to law enforcement and private security than the LCN.

Ms. HILL. Thank you.

Chairman ROTH. Again, I want to thank you for your extremely helpful testimony. We would look forward to working with you in the future. Thank you very much.

Mr. SIMMONS. Thank you.

[Whereupon, at 12:16 p.m., the subcommittee adjourned to reconvene at the call of the Chair.]

EMERGING CRIMINAL GROUPS

WEDNESDAY, SEPTEMBER 24, 1986

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The subcommittee met at 9:30 a.m., in room SD-342, Dirksen Senate Office Building, under authority of S. Res. 76, section 13, dated March 2, 1983, Hon. William V. Roth, Jr. (chairman of the subcommittee) presiding.

Member of the subcommittee present: Senator William V. Roth, Jr., Republican, Delaware.

Members of the professional staff present: Daniel F. Rinzel, chief counsel, majority; Eleanore J. Hill, chief counsel, minority; Barbara Kammerman, deputy chief counsel; Sallie Cribbs, legislative assistant to the chief counsel; Cynthia Christfield, staff counsel; Cynthia Comstock, staff assistant; Carla Martin, chief clerk; and Leonard Willis, staff counsel, minority.

[Senator present at the convening of the hearing: Senator Roth.]

Chairman ROTH. The subcommittee will please be in order.

[The letter of authority follows:]

UNITED STATES SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
Washington, DC.

Pursuant to Rule 5 of the Rules of Procedure of the Senate Permanent Subcommittee on Investigations of the Committee on Governmental Affairs, permission is hereby granted for the Chairman, or any Member of the Subcommittee as designated by the Chairman, to conduct open and/or executive hearings without a quorum of two members for the administration or oaths and taking testimony in connection with the hearings on Emerging Criminal Groups—Asian, to be held on September 24, 1986.

W.V. ROTH, JR.,
Chairman.
SAM NUNN,
Ranking Minority Member.

OPENING STATEMENT OF CHAIRMAN ROTH

Chairman ROTH. Today, we will learn more about criminal groups of Asian origin operating in the United States. This is the second in a series of hearings on emerging criminal groups, sometimes referred to as nontraditional organized crime. Last week, the Permanent Subcommittee on Investigations heard testimony about Nigerian nationals engaged across America in narcotics trafficking as well as sophisticated financial frauds.

One of the first things the subcommittee found in this investigation is that victims of Asian gang crimes are extremely reluctant to speak openly about the situation. The reluctance is borne of fear because intimidation, threats, and murder are the hallmarks of the more violent members of Asian gangs we have studied.

Hence, the official statistics may not reflect the true magnitude of the problem. Whatever the size, the violence and extortion known in many Asian communities must be dealt with and eradicated. Asian-Americans deserve the same protection as every other citizen. Furthermore, our society at large suffers when we endure the pervasive presence of such lawlessness in our major cities.

Because these criminals committed violent crimes such as extortion, robbery, and even murder, those who live in many Asian communities are understandably intimidated. We have all read novels about turf battles between rival gangs. Unfortunately, in Chinatowns across America, these violent scenes have been too frequent. Just last September 10, less than a mile from this building, a Chinese organized crime member was shot and killed as he left a restaurant on H Street in Washington.

Last week, the subcommittee found that Nigerians engaged in fraud and other crimes rarely use violence and can be deported if necessary. But Chinese and Vietnamese crime members are often naturalized U.S. citizens, and we may need to look at the immigration laws to determine if we need to bolster them in order to deport those few among them engaged in violent crime.

Like the Nigerians, Asian criminal groups are emerging on the American landscape in the sense that they are becoming more powerful and may become an alternative to traditional organized crime. Law enforcement authorities, particularly Federal, cannot afford to wait until these organizations have fully "emerged."

Moreover, there is another reason to be concerned about the Chinese gangs. Most of the Chinese criminal groups in America are based on underground societies that originated in China hundreds of years ago. In modern Hong Kong, these same highly organized crime groups, known as Triads, are as powerful as the La Cosa Nostra has been in this country.

As we will hear today, these criminal groups are suspiciously similar to the gangs that operate here. We must be prepared for the possibility that some of the more powerful Hong Kong kingpins will try to move their insidious operations to the United States when mainland China takes over Hong Kong in 1997.

For this reason, I am encouraged to see the Department of Justice pursue such cases as the just-completed conspiracy trial in New York involving the Chinese United Bamboo family. More investigations and prosecutions of this type are needed if the growth of Asian organized crime gangs is to be slowed down.

As was the case last week, the testimony received at today's hearing should certainly not be taken as an indictment of all Chinese and Vietnamese persons living in this country. The vast majority of persons of Oriental heritage residing in the United States are honest, productive citizens. We are interested in this hearing in learning about a hard-core minority whose activities lessen the quality of life for all.

Chairman ROTH. At this time, we will move forward, and I first call up Cynthia Christfield, our staff counsel. Please raise your right hand. Do you swear the testimony you will give this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Ms. CHRISTFIELD. I do.

Chairman ROTH. Thank you. Please be seated, and proceed with your prepared statement.

TESTIMONY OF CYNTHIA R. CHRISTFIELD, STAFF COUNSEL, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

Ms. CHRISTFIELD. Good morning, Mr. Chairman.

Last week, this subcommittee held a hearing on Nigerian criminal activities. In the staff's investigation of oriental criminal groups, we questioned, as we did in the case of the Nigerians, whether these groups are emerging criminal groups, and if so, whether these present a problem to the U.S. Government.

After a year-long investigation, we must answer both of these questions yes. Staff interviewed hundreds of local, State and Federal law enforcement agencies throughout the country, including representatives from DEA, INS, FBI, and Interpol. We reviewed and collected case files and informant reports.

We determined that there are a number of emerging groups from Hong Kong, Vietnam, Japan, Taiwan, and Korea. With the chairman's permission, I submit for inclusion in the record PSI memoranda addressing these groups.[1]

Chairman ROTH. So ordered.

Ms. CHRISTFIELD. Today's hearing will focus on the most pervasive and visible group, the Chinese, and the most violent, the Vietnamese. I want to emphasize that it is a mistake to lump the groups together. Each ethnic group operates according to its own traditions. However, members of all of the ethnic communities studied are extremely reluctant to deal with law enforcement officers. It seems that initially all of these persons are afraid to come forward and report crimes for a variety of reasons, including fear of reprisal and a historic fear of the police.

This skews statistics regarding the amount of crime. Nevertheless, as the subcommittee will learn today from witnesses with firsthand knowledge, there are sufficient numbers of criminal groups to sound an alarm. As a few examples, law enforcement authorities estimate that there are 300 Wah Ching members operating in California. Boston authorities estimate that there are approximately 50 Ping On gang members. The Flying Dragons are purported to have 50 to 75 members in New York alone and growing.

These may not seem like large numbers, but it is important to recall that the FBI estimates that the entire La Cosa Nostra is currently comprised of 2,000 members in 24 families. But the Population Reference Bureau reports that Asians are the fastest growing minority in the United States.

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[1] See p. 230.

The other similarity among the various Asian groups is the kinds of crimes they commit. In this respect, they are like more traditional organized crime. They run gambling and prostitution establishments and extort money from local businesses, though unlike the LCN, they generally do not venture beyond their own communities.

They also traffic in drugs, mostly heroin, but also some cocaine and marijuana.

As for the specific groups, I will briefly mention the Chinese, since Inspector McKenna will discuss the Chinese at length. The Chinese are well organized into gangs in this country. They are similar to and may be connected with the powerful criminal organizations that operate in Hong Kong.

Again, with the chairman's permission, I submit news reports from Hong Kong that describe these groups called triads.

Chairman ROTH. So ordered.

[The information referred to is retained in the files of the subcommittee.]

Ms. CHRISTFIELD. The activities of the gangs vary, but let me describe one case in New York involving a gang which resulted in convictions in Federal court just last week.

The case involved 11 members of the United Bamboo, a Chinese gang with operations in California, Texas, New York, Hong Kong, Singapore, and Taiwan. The 11 defendants were convicted of various crimes, including extorting protection money from local businesses; selling 150 pounds of marijuana, conspiring to import from Thailand 660 pounds of heroin, which is worth $12 million, and murder.

They used automatic rifles and other weapons. They were prosecuted under RICO, the Racketeer Influenced and Corrupt Organization Act, for crimes committed in San Francisco, New York, Las Vegas, and Taiwan. There are other cases, particularly another New York case, involving the Ghost Shadows gang. Mr. Chairman, I would ask that the indictments and other case materials be included in the record.

Chairman ROTH. Without objection.

[The information referred to is retained in the files of the subcommittee.]

Ms. CHRISTFIELD. There are many Chinese gangs operating in various cities around this country. Some are as sophisticated as the United Bamboo, and some are not. But with the control of Hong Kong changing hands in 1997, there is substantial cause for future concern. These gangs provide established bases of operation for immigrating Chinese criminals.

The Vietnamese are also cause for concern. There are loosely organized groups of Vietnamese criminals operating in many cities. These cities include many California cities, as well as Houston, New Orleans, Boston, Chicago, Seattle, and Portland, as well as here in the Washington, DC area.

Detective Badey will testify about these groups today. He is from the Arlington Police Department.

The Vietnamese groups seem to be far less structured than the Chinese, but then they have not been here as long as the Chinese. As Detective Badey will explain, some seem to travel from city to city, committing robberies and burglaries, and sometimes joining ranks with local Vietnamese criminals. The most significant characteristic of these criminals is the violent crimes they commit.

In city after city, law enforcement officers told us about the use of deadly weapons, hand guns and knives, and about how frequently they use these weapons.

In fact, they are so widely reported to be "enforcers" that the Chinese are now hiring the Vietnamese to do the street crimes that they themselves used to do.

Unlike the Nigerians who came to this country only temporarily, many of the Chinese and Vietnamese are either permanent residents or naturalized citizens. Law enforcement officials around the country complain that in either case, the immigration laws are too lenient or simply ignored. In addition, the fact that the Vietnamese are largely refugees with no place to go seriously complicates this matter.

Still, the local and Federal officers that we interviewed think that they could make a dent in the level of crime by committing more resources to the problem. The suggestions that Inspector McKenna and Detective Badey will make are repeated by officers around the country: more officers to investigate; more cooperation between Federal and local officers; a central repository of information and more stringent enforcement of the immigration laws.

Mr. Chairman, at this time, I would like to place in a confidential file to be included in the record, police reports and intelligence analyst reports of a sensitive nature.

Chairman **Roth**. Without objection.

[The material referred to is retained in the confidential files of the subcommittee.]

Ms. **Christfield**. Thank you.

Chairman **Roth**. Thank you, Ms. Christfield.

Our next witness is Inspector John McKenna, who is the supervisor of the San Francisco Police Department Asian Gang Task Force.

Mr. McKenna, we are pleased to have you here today. Would you please raise your right hand? Do you swear the testimony you will give before this subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. **McKenna**. Yes, I do.

Chairman **Roth**. Please be seated. Again, I very much appreciate your taking the time to be here. I look forward very much to your testimony.

TESTIMONY OF INSPECTOR JOHN McKENNA,[2] SUPERVISOR, ASIAN GANG TASK FORCE, SAN FRANCISCO POLICE DEPARTMENT

Mr. **McKenna**. Yes. Good morning, Mr. Chairman. As you know, my name is John McKenna. Since 1977, I have been a member of what we call in our department the gang task force, and for 5 years, I have been the officer in charge. The responsibility of that unit within the police department is to deal with the whole premise of Asian crime, whether it be at the street level or organized.

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[2] See p. 133 for Mr. McKenna's prepared statement with attachments.

Since 1977, I have dealt with counterparts all across the United States, from Detective Badey here in Arlington to officers from agencies in New York, Chicago, Los Angeles, Seattle, Vancouver, Calgary, and Toronto.

I have been to the Far East; I have traveled through Hong Kong and parts of Taiwan with my counterparts over there.

I have spent time with the Triads, the Royal Hong Kong Police Department, and those members of that agency that have visited the United States, and we have had a mutual exchange of information.

I testified at the President's Commission on Organized Crime and had occasion to deal with some officers from Hong Kong, Taiwan, Japan, Singapore and Thailand regarding problems that they had with their Asian groups there.

San Francisco has a heavy Asian population and hence, we seem to have been in the forefront when these incidents began, when we began to deal with our new immigrants, new refugees from both Hong Kong and Southeast Asia.

From 1965 to the present time, our specialty has been in Asian crime, Chinese, southeast Asian, Japanese, and most recently, with the entity called the United Bamboo or Chu Lien Pang, based in Thailand.

Commencing in the early sixties, and up until 1977, we saw a new emergence, a new growth in the Arlington community, and that was beginning as street level gangs, young toughs, usually from the streets of Hong Kong who had immigrated into this country, some of whom really had no family background to speak of. There was a question of how they even got into the country, but with the name problems, there was a great deal of difficulty in tracing their backgrounds. They gravitated into a school system that was ill-equipped to cope with them, and ultimately ended up in the streets of Chinatown.

At that time, the government looked at this as strictly a street situation, young hoodlums terrorizing people in a community, going into restaurants, demanding meals for free, going into theaters and demanding to be allowed to see the theater entertainment for free, vandalize the place, hang around the street corners, intimidating the population in general.

I would like to preface my remarks here that in my experience in this, the victims are Asian; the culprits are Asian. Only in two instances in all the time I have been involved have I seen any other racial group involved in this, and both of them were victims because of happenstance.

So what happened in our traditional Asian communities was a new reign of terror began, and at that time, as I say, the attitude was that the problems were of street level with just young hoodlums. But we who were addressing that problem at that time as individuals in our specialties, such as homicide, robbery, began to see that these young men were not street toughs. They were not the typical young juvenile gang that would grow for awhile and dissipate itself in majority.

These young men were establishing turf control. They were competing with other for the power and prestige that exists in that community. You have the power, you have the prestige, and the money will flow, whether it is neat or elite. So the competition was very keen to be the central gang, to be the central secret gang.

This is when we first began to hear reports such as the secret societies, the black societies or triad. The triad's origin was in China in the 17th century and had made its move in through all the turbulance in that continent for a number of years and then descended into Hong Kong. For 100 years, the British authorities had been wrestling with this problem, trying to find a way to deal with it.

Now, we have here several charts.[3] There is a goodly amount of literature in this field, and some of these charts are taken from that literature, but what you see here today in the first chart is a triad headquarters structure.

This is a structure of one of the original Triads of the Triad structure. Now, this was quite common to have this type of structure for a number of years, but as I say, as the police were wrestling with this problem and dealing with it, they began to recognize that the ceremony to introduce a member into the Triads would sometimes take as long as two or three days.

There was a multiplicity of activities going on; a place of Triad ceremony had to be established; they had to go into their headquarters, and as time would go on, the police would be aware that 36 oaths were being handled or handed off to the new member. He would have to swear allegiance to these 36 oaths; there would be the exchange of blood; there would be an incense master who would go through a ritualistic litany of events with the new recruit.

As a result of that, informed police survellance would interdict this operation.

So what we are really dealing with today, and I would like to have the second chart now, is that more simplistic form of introduction into triads, into secret societies. Here we have a problem with what you might see today if you were privy to seeing the introduction of a new member. It would be the leader, the deputy leader, the treasurer. And then of course on the third row or fourth row, we have the general affairs section, the people that do the recruitment, the organizational section, and so on, and then finally, the thing that the police really do deal with is the Hung Kwan, or as we call it here, today, the lieutenants of the gang.

Below them would be members, and each of these members, they would be of cellular structure. These members could be any amount, and each of them has a specific task. But ultimately, everything goes back to the leader.

It is part mysticism, ethereal in quality, but the truth is that in Hong Kong, as of today, they estimate that they have roughly 80,000 members split up into a number of Triad groups.

We in the United States must be aware of the history of China, must be aware of the culture of China, and must be aware of the gang types, the secret societies, before we can hope to cope with it. Because in the sixties, we began to see the emergence of a multiplicity of gangs in our community based on the triad principle. Strange names: Wah Ching, meaning youth of China; Cheung Ching Yee, royalty, faithfulness and Yau Lai, and on and on. In New York, they began to hear of the Ghost Shadows; in Toronto the Flying Dragons or the Hung Mun, and so on, and each of the crimes that were being committed in these societies were based on the same principle: the principle of crime for profit that was being handled, the same thing that was being done in Hong Kong.

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[3] See pp. 143-145 of Mr. McKenna's prepared statement.

So we have prepared a chart on a gang that exists in California, and you might attribute it to being a Triad or a secret society, and this is our gang that is headquartered in San Francisco, the Wah Ching, the youth of China. This emerged, these people emerged as young street hoodlums in the 1960s. But today, as the chart shows, they, in reality, have the same credentials the charts of the Triad.

In the sixties, they were 16 to 17 year old boys, fighting for turf control, intimidating people of their own race in their own community, and these people in that community were absolutely terrorized, absolutely frightened. It was quite difficult for the average American policeman, used to the type of police work that we did at that time, to deal with this community.

In some ways, it was quite frustrating, and it was common to hear expressions such as, "Well, it is just a bunch of punks," and, "The people don't want to talk with us; why even deal with them?"

But in actuality, what we began to see then was a fight for turf control, and between 1965 and 1977, we had close to 50 gangland type murders, as rough as any street murders you might have had in any part of this country at any given time.

Finally, it culminated on the night of September 4, 1977 when two street gangs, the Cheung Ching Yee and the Wah Ching who had been fighting for control of San Francisco's Chinatown, a group of Cheung Ching with automatic weapons, two shotguns, and a .28 caliber revolver entered a very popular restaurant in San Francisco called the Golden Dragon.

Inside that restaurant were two separate gangs, the leader of the Wah Ching and another group called the Hop Sing Boys. Within 90 seconds, they fired over 100 rounds, killing five and wounding 11 innocent people.

The whole tenor was changed. "We must attack that problem, we must solve that crime, and we must look into that problem." We were formed, then, the Gangland Task Force, and we had officers from all walks of investigation within the San Francisco Police Department. We start to deal with that problem, and that case was solved. We began to find out there was a lot more to this.

This matter was not going to go away, because we began to find that in these criminal activities, what we were dealing with were extortions, robberies, intimidation of witnesses. We were dealing with, in some, phases, the transferring of narcotics from the Far East through our city and who-knows-where. We were beginning to find out it was the Wah Ching in San Francisco or it was the Hung Mun in Toronto.

And so we began, as we sought local jurisdiction, banding together telephonically, trying to network, because these people were networking with each other and trying to establish a common pattern of investigation.

What we did find out is that these young men had now reached adulthood, had now reached maturity, and as they moved up into the hierarchy of the gang, just like any crime gang would be, then they would recruit young people to do their street battles, their intimidations, any needed problems that may arise, and as a result of that, we have seen an intrusion into our communities now of a new group, the young southeast Asian group, beginning their career much as the Chinese did in theirs.

Now we begin to see in our Chinese gangs that many young Vietnamese who are ethnically Chinese, speak the dialect, are being recruited for the street fights.

I could go on and on and on in this litany of events. I don't want to burden, Mr. Chairman, your staff with too much work, but we do have a way to handle this. I think that with the history, the literature that is in the field, a repository of information, a joint venture with Federal, State, and local jurisdictions would wrest this problem.

We may never solve the problem entirely, but we certainly can control it, and we can control the city, return the city to the people who live there, the people that should be there, the people that are earning their honest dollar through honesty.

Chairman ROTH. Thank you, Mr. McKenna.

As I understand what you are telling us, that first of all, these gangs or whatever you want to call them are essentially limiting their activity to their own ethnic area.

Mr. MCKENNA. Yes, Senator, they are.

Chairman ROTH. You mentioned that they have a three-day rite to become a full member. What is the nature of the obligation that one takes when he becomes a member?

Mr. MCKENNA. It is a total loyalty to the structure of that group, the arm of the triad, whether it be with the Wo groups or the 14K or what-have-you. They owe their total loyalty to that group, and any mission of crime, their responsibility is to fulfill that obligation.

This is a 2-day ritual that was, for many years, that someone introduced to become a member of, say, an arm or a branch of the Triad had. Today, we don't see that 2-day. My contacts in Hong Kong say it is a rather limited initiation. The bottom line is, the same loyalty, fidelity and any criminal mission that may be wanted, they owe; they are obligated.

Chairman ROTH. In other words, to become a member, even though it is abbreviated in time, they do take a solemn obligation from their standpoint to commit any kind of crime ordered by their superiors?

Mr. MCKENNA. I once talked to an informant who had been a member of the 14K Triad and became a member of ours. His statement was "once in, never out," said in Chinese.

Chairman ROTH. Let me ask you, how many of these gangs would you say exist currently in San Francisco?

Mr. MCKENNA. In San Francisco, we have four or five gangs, but the largest gang is the Wah Ching. In all of the turf battles for control of the enterprise, criminal enterprise, they emerge victorious.

Only by their tolerance are the other gangs allowed to exist, and they are really of a minor level. They are no problem to the Wah Ching. Sometimes they can be called on by the Wah Ching.

The situation here with the Wah Ching is that in the hierarchy or the elder structure, it is not uncommon for them to travel to the Far East to meet what we call their counterpart in some arm of the triad over there.

We even surmise and suspect that several members of our hierarchy of our Wah Ching are also Triad members of Triads in Hong Kong. This has been supported by the members of the Royal Hong Kong Police Department, who have conducted the surveillances for us on the arrival of our Wah Ching people over there.

Chairman Roth. To what extent have you been able to identify the organization from the top to the bottom? Do you know if they have one top leader?

Mr. McKenna. Yes, he is called an elder or the big brother.

Chairman Roth. Are you able to establish who that is?

Mr. McKenna. We know who he is.

Chairman Roth. Are you able to prosecute any of these successfully?

Mr. McKenna. We attempted a prosecution with a joint venture with our Federal strike force, and because of the problems in Hong Kong, the money flow and so on, it ended up—it is still currently under investigation, but I, very frankly, have my doubts that we're ever going to get the witnesses needed to attack them. He is very, very powerful, and he does have a strong control.

What happens a lot of times is they start out minimal activities, street level, and they grow up. A lot of what was illegalities are now laundered into legal enterprises, and it gets rather murky and hazy, and it requires their testimony.

To the best of my knowledge, we have never been able to surface a specific person who would testify regarding this.

Chairman Roth. That, in a sense is disturbing.

Mr. McKenna. It is, it certainly is.

Chairman Roth. You are saying that at least under current conditions that you are unable to successfully prosecute. Why is it any more difficult here than, say, the more traditional organized crime where they have similar rules and certainly are very powerful?

Mr. McKenna. Well, we have had prosecutions of people of this level. We have put members of this organization away for murder, for robbery or extortion. We have interdicted a lot of their criminal activites. What I am beginning to see, what I feel is needed in this problem is a joint venture amongst those knowledegable on the level that we are, and those with the ability and the resources, say, at the Federal level, to enter into a task type operation.

But this is just not nationally. We have to go international on this. We do need the cooperation of authorities in other countries. We have been successful, say, as a member of the police department joining with the agent from the FBI or an agent from the Drug Enforcement Administration, because we might have the street knowledge to pass on to them about a possibility of a person involved in drug activities.

We do apprehend those. We have apprehended in a joint venture with the Drug Enforcement Administration a high-level official of one of our tongs for the transportation of narcotics, and it was a lengthy operation. It almost didn't seem, because of the resources we had to throw into it to an administrative level, as worth it.

However, to us it was quite worth it, because it broke the pattern. It put then on notice that we were not only trying to deal with this locally, but we were dealing with it internationally.

So I feel to address this problem, we really have to have, number one, the patience. These people, they can wait a very, very long time. They can vote, recover very, very quickly and stay there for a long time and hope to outwait you. We need the resources, not only financially, but manpower, and we need people who are dedicated to this operation, and we need a joint venture.

But the bottom line is, we have to know the culture, the background and the history. We have to know the Chinese telegraphic route, that system of identify by numbers, where you can take a Chinese written character, and no matter how he changes his name into English or with different variations of a surname, that you can identify this person as being a resident or a person who can be contacted by the police in Hong Kong.

We also need very, very good cooperation with the authorities, perhaps in Taiwan. We have to know about this emerging group, the Chu Lien Pang or the United Bamboo. Sure, we have interdicted them and we have made arrests, but just the other day in San Francisco, we have established another cell that we had out there. Heretofore, this cell has remained out and was quiet. They were operating, they were utilizing females for prostitution. They are into some of the entertainment business.

It is the beginning of investigations. So what it requires is a multiplicity of talents from all these law enforcement agencies.

Chairman ROTH. I want to examine in a minute the international implications, but before we do that, is the situation, do you find, in San Francisco, duplicated elsewhere? If so, is there any relationship between the gangs in San Francisco and other cities, or are they run pretty independently?

Mr. MCKENNA. No, there is a relationship, Senator, although each of them may have their turf back there. As an example, if an entertainer from Hong Kong or Asia, Singapore, a famous singer or dancer or some entertainment group arrives in the United States, they are contracted, usually through the Wah Ching, for entertainment in many, many cities in the United States and in Canada.

Much of the profits goes to the hierarchy of the Wah Ching. When I talk to my counterpart and talk about a specific person or a group within our community in the Asian organized crime, he has—it is almost repetitive of what he is telling me about their group. They have seen our members there meeting with their members and vice versa, and the same thing is international.

Chairman ROTH. Let me ask you this question. Again, you say primarily, these groups are involved in Chinatown and not other areas. Take the case of drugs. I gather from what you are saying that they are involved in prostitution or drugs as well as extortion and other street crimes.

With respect to drugs, is there any evidence that they sell outside of Chinatown?

Mr. McKENNA. Well, I would have to defer the answer to that question to representatives from the DEA. However, on the cases that we have dealt with from the local level in San Francisco, in New York and in the Asian task force, we interdicted or stopped the flow of heroin number 3, in several cases. Number 4, a different grade of heroin that was brought into the United States to, for instance, in one example, a travel agency, the brochures from Hong Kong, coming into the travel agency. In the middle of the package was packets of heroin. Another was was through clocks, the working of clocks. Another came in through vases with the double cast in the vase. We stopped it at that level.

Where its ultimate goal was, we don't know. Unfortunately, the subject who was assisting us has passed away, and that sort of stopped the problem—I mean stopped the flow of information. But it actually was coming from a person in Hong Kong via southeast Asia.

Chairman ROTH. Let me ask you something going to the international situation. You apparently believe that there is some association, paricularly with Hong Kong.

Mr. McKENNA. Yes, we do.

Chairman ROTH. The same is true of Taiwan. How about mainland China? Is there any evidence of any relationship there or any efforts on the part of Communist China to use these gangs for any purpose?

Mr. McKENNA. Well, on the part of the government or of the PRC, the Peoples Republic of China, I really have very little information on it, other than what I was told by officials of the Hong Kong Police Department, the people.

They have had, in Hong Kong, a gang called the Big Circle gang, who had come down from Canton, which is part of the People's Republic, and have committed acts of violence. They basically are structured like a Triad. They will tell you the Triad's origin was in China, and they will also probably tell us that nothwithstanding what the government of the PRC has said, that there probably are still Triads there.

The thing that we have to be really concentrating on is what is going to happen to the peoples of Hong Kong in 1997 when, at that time, of course, the British flag dims and the Peoples Republic of China retains control, once again of Hong Kong.

Now, there are a lot of people over there who are uncertain about their future who want to immigrate. We are going to seek these people from within the United States, and the greatest majority of people will then end up on the Pacific Coast. But a large amount of them will immigrate to cities where their dialect is spoken. Along with them certainly will come members of organized crime, whether they be street toughs, or whether they be sophisticated syndicate leaders. This is the future as we see it, and now is the time to really try and address the issue.

Chairman ROTH. You said you traveled to Hong Kong and have had some contact with authorities there. I gather from what you have said there has been no task force created with the Federal Government to begin to establish who these individuals are.

Do you think Hong Kong knows who are the team members of the Triads there?

Mr. McKenna. Yes, I believe they do. I am sure, first of all, the Royal Hong Kong Police Department is probably one of the finest departments in Asia, notwithstanding the publicity of the corruption. When you get out there and deal with them, they have got a tremendously difficult problem. They have over close to 6 million people living there, a multiplicity of dialects, problems with the border, Marines, so on, like that.

They're the first, the men that are working the street, would be the first to tell you that we have a heck of a problem and it has not gone away in 100 years, but the problem has to be addressed. Now the liaison, on an individual basis, for example, that I and members of my unit have established, has borne fruit.

We have seen from an intelligence gathering viewpoint, what I have aforementioned talked to here: We have seen that there is a problem, that our people over there, it is not uncommon for people of the Hong Kong police to see them. So we have a very good one-to-one basis. I think that this can be addressed far better if we get some sort of structured organization to specifically deal with it.

Now, our Federal agencies have legal—or officials at the counsel or the embassy over there do, but I think what we do need is we need more of a dissemination of information, a transfer of information, say, from the street level to State level and the Federal level, a joint effort.

Chairman Roth. Let me ask this: You think generally speaking from your own experience that the Chinese authorities, at least the police authorities, are cooperative or would cooperate with such an effort?

Mr. McKenna. I have been personally asked for information about people in our community which I have furnished to them. I have asked about information about what I call crime figures over there and have been furnished with them.

I do think with the proper structure and the proper response and the dealings and change of information, not on a gossipy level, but basically for hard-core facts, that yes, this can be worked out. But time is sort of running out; 1997 is not that far away.

Chairman Roth. Let me ask you this question: Why do you make the charge that you think that they will try to enter this country in 1997? Is there any hard evidence of that, or is it just a matter of opportunity and speculation?

Mr. McKenna. No. I have seen our Chinatown in San Francisco, which is one of the largest in the world, having remarkable change, the Chinese banks with the new immigrants coming into the country, and already, we were beginning to deal with young men who are recent arrivals here who are being assimilated into already established Triads.

Chairman Roth. And these are the criminal types you are talking about?

Mr. McKenna. Yes, sir. Well, what I am saying is that we have a lot of people coming in from China, basically through Hong Kong, that are uncertain about the future of Hong Kong, so with their ability and with their investments, they are moving into the West Coast of the United States, and I am sure they will move forward as they are assimilated.

Chairman ROTH. Do you think it would be possible to screen those so those with a criminal background could be prevented from entering?

Mr. McKENNA. It probably could. It is going to take some time to do this. We have to have the cooperation of all of the local and Federal agencies. We have to set a mission, a time. Patience is important. We would probably almost have to set up a sense of schooling to introduce all of our local law enforcement people into the various methods of identifying these people.

As you know, as you probably know, and I don't know if it has been addressed yet. This was a problem even in our Japanese community. In Hawaii, they are dealing with people in organized crime coming in from Japan, and after the head in this type of thing, the authorities out there were able fairly well to screen them, and it is stopping them.

This is just one of the tools. We have to have the good liaison with those people, and not only, for instance, I would suggest, in Hong Kong, but we have to have liaison with international peace agencies that are dealing with Chinese criminal groups, whether it be in London or in Amsterdam. You have to have that, also.

Chairman ROTH. You mentioned the movement of banks and funds here. It is my feeling that the laundering of money is one of the most critical aspects of organized crime and that if we can successfully attack that, we have a chance of effectively attacking these gangs.

Have you ever sought from the Chinese authority in Hong Kong financial records? What kind of cooperation do you get in the area of financial and banking records?

Mr. McKENNA. One of the problems over there is their banking records are very, very slim. It is a free port, it is a free duty type of place over there. They don't have a tremendous amount of control of their banking system. Banks seem to come and go very rapidly.

So I have a feeling that that probably has been addressed by some of our Federal law enforcement agencies, and to what success, I don't know. I think that you are absolutely right. The money laundering ultimately, is the goal in any criminal organization. You are absolutely right; it has to be laundered somehow.

I don't think I am an expert to speak on that, but from my experiences with it, we have to identify these people. We have to know where they are coming from, whether they be a Chiu Chow from Fuk Province. I have almost become a historian just finding out about this problem from the U.S. viewpoint.

The Hong Kong police, with all of their Chinese speaking officers, didn't have an officer to speak one dialect that they needed at the time. So even they have the problems.

Chairman ROTH. I gather the whole problem is complicated by the fact that there are a number of dialects spoken and we don't have that many law enforcement people that are expert.

Mr. McKENNA. That is one of the problems, yes, sir.

Chairman ROTH. But going back to the laundering of money, you also, in your principal testimony, talked about these people taking over legitimate business. Has any effort been made, either by your department or others, to trace this money to determine what businesses are being taken over? Again, are these essentially businesses in Chinatown, or do they seek to invest the money generally in business elsewhere?

Mr. McKENNA. Yes. We are currently investigating one specific person, and we feel that the businesses that he runs, the way that that was started was through illegal gain.

Right now, the investigation has stopped in San Francisco and is proceeding in the Far East. Whether we are going to have a great deal of success, I can't speak to it quite now.

But this is, once again, I have to say this is one of those things that needs more in local law enforcement. We have problems when they hit the city line and leave our state; we have more problems when they hit the airport and head to the Far East.

Chairman ROTH. Have any of the criminals you arrested and convicted ever been deported?

Mr. McKENNA. In my history of 17 years dealing with this problem, only one chap was ever deported, and he didn't resist deportation.

Chairman ROTH. Why have not more been deported?

Mr. McKENNA. Well, I think——

Chairman ROTH. Are some of these Chinese illegal residents?

Mr. McKENNA. Most of them have established residence in the United States, and they are not subject to deportation. As much as we are seeing now with the young Vietnamese toughs, there is nothing you can do about it. Perhaps somebody from the INS could be better qualified with what is relating to it.

Chairman ROTH. That is all the questions I have at the moment. I think Mr. Rinzel has a question he would like to ask.

Mr. RINZEL. Inspector, we understand that you recently successfully completed an organized crime prostitution case in San Francisco. Could you describe that to us, please?

Mr. McKENNA. Yes, sir, I can. One of the problems that exists in this field is that things emerge rather rapidly, and approximately a year or a year and a half ago, we began to hear through informants about a brothel or house of prostitution situation being conducted in San Francisco, and the information given to us was that San Francisco was not the only city to have these houses. And I had occasion to surveil one of the establishments and it was quite apparent what it was.

We then received information from someone that two others had opened in the San Francisco community, and one of them nearby. Further than that, one of my officers who speaks Vietnamese and who is of Vietnamese origin heard from a friend or informant of his that this house was, in fact, being run by a movie director from Taiwan and that he did have another lady from Taiwan running the operation as the madam.

Further than that, the ladies that were—the prostitution in the house were all Taiwanese, and they had come in from their country under various ruses and guidance, and they had come in from Central America, up to Mexico, and then into the United States property.

We raided the houses and we did arrest these people, and sure enough, we arrested an Asian, a gentleman, Mr. Wang, who was a movie director from Taiwan. We arrested a lady called Madam Shia (sic), and we arrested three young ladies from Taiwan.

In the telephone records that we found, we found that the calls being placed from that one house were going to establishments that we already had determined were, number one, the Yakuza, a Japanese organized crime establishment; we found that one of the numbers was going—several of the numbers were going to Guatemala and El Salvador, and we also found that the phone number was going to a night club that was frequented by the Wah Ching.

I had occasion to be in Houston right after that assist, after what we call more traditional organized crime, and discussing it with a bunch of officers. We found that this situation, the same modus operandi, method of operation, existed in a number of cities through the United States, and that the Houston Police Department was looking at the same type of operation; the Denver Police Department was looking at the operation; and in some of these operations, they suspected that they had united band group connections.

At the same time, at an INS investigation in New York surfaced the name of Madam Shia as being involved in opening a house of prostitution or being involved in a house of prostitution in New York, and further, that their investigation determined that a lot of people, that this was not the only profit type of activity, but that they were importing or smuggling into this country people from China, illegals, and the cost was approximately $26,000.

The end result of that case is that we have convicted several of these people on the West Coast. The Immigration and Naturalization Service and the U.S. Attorney's Office in New York has convicted a lot of them.

This case sort of is symbolic of the new work of the Fukienese. We not only have prostitution. There is a chance drugs may be involved. There was a purchase of drugs in the New York operation, and then finally, we have corridors of entry into the United States via Central and South American countries.

So this is the type of thing. This would be a classic case for multiplicity of agencies. My specialization is localized. The INS for the importation or smuggling of these people; perhaps there would be DEA for the drug aspects. There may be an overview of the FBI for the overall general intent. It is a classic case for such a presentation.

Chairman ROTH. Well, if I understand the thrust of your testimony, it is your belief that we face the prospect of continuing growth in this kind of Chinese gang, particularly in the nineties, when Hong Kong reverts to China, and that you think it would be worthwhile if we had some kind of a task force, a strike force, combining local and federal authorities to establish a working relationship with Hong Kong and elsewhere to determine who these gangs are, who they are and that perhaps with an ounce of prevention today, we might prevent a more serious problem tomorrow.

Mr. MCKENNA. The first thing that I believe that we should do is we should have control of this. You are absolutely right when you just said that I do believe this. But I do think that to start this, we have to have the dedication of the agencies involved, and as I said, we need the patience. This is not easy to dig into and to start getting the investigation going.

Finally, we need a repository of information. The information that I have in San Francisco a brother officer has in Seattle; Detective Badey has it in Arlington. If we could computerize it, centralize it and put it together, but this is not to bring together gossips, but to put together the hard core criminal facts; put it together; analyze it, get analysts to the board; break it down and see what we do have; then establish a liaison with our Chinese cousins, the people in the Far East who are law enforcement brothers there, and perhaps even in New York, and just say, "What kind of problem do we have. Can we address this problem now, or do we need to wait?"

These crimes that these units commit are very, very violent, and they hurt people, and they hurt their own. We have an Immigration Service official to help them assimilate the American way of life, and they have to assimilate the American way of life, but they don't have to be intimidated. That there are people out there to help.

Chairman ROTH. I want to express my appreciation, Mr. McKenna, to your being here today, and we look forward to continuing to work with you in this area.

Mr. MCKENNA. Thank you very much.

Chairman ROTH. Thank you.

We will next hear from Robert Stutman, who is the Special Agent in Charge of the New York field division of the Drug Enforcement Administration.

Mr. Stutman, under the rules of the subcommittee, all witnesses must be sworn. Do you swear the testimony you will give this subcommittee will be the truth, the whole truth and nothing but truth, so help you God?

Mr. STUTMAN. I do.

TESTIMONY OF ROBERT STUTMAN, SPECIAL AGENT IN CHARGE, NEW YORK FIELD DIVISION, DRUG ENFORCEMENT ADMINISTRATION

Chairman ROTH. Mr. Stutman, would you care to make a preliminary statement?

Mr. STUTMAN. Thank you, Mr. Chairman. It is a pleasure to be here. As you know, I do not have a written testimony for the record, but if I could, I would like to give you a quick 2- or 3-minute summary concerning oriental gangs, and oriental drug trafficking groups, specifically in the city of New York.

I have been Agent in Charge of New York for about one year. One of the first things I did when I was transferred to New York was to form a group of agents who would specifically work on only oriental drug traffickers, because it was our feeling that although the percentage of heroin available in New York that was being controlled by oriental organizations was growing, as Inspector McKenna very rightfully said, but because working these organizations is so tedious, so long term, we felt it necessary to have a special group of agents devoted to it.

We now have a full group of DEA agents who can speak various dialects of Chinese and Thai that are working full time on drug trafficking organizations of oriental backgrounds.

From 1949 through the early to mid 1960's, although there was some heroin being controlled basically by older Chinese, Cantonese people in New York who dealt only with traditional organized crime, the amount of heroin that was controlled by the Chinese traffickers was very small.

Then, after the 1965—1967 change in the Immigration laws, we began to see a change in New York City. We began to see the large numbers of Chinese emigrating to New York and of these large numbers of Chinese, a small percentage of them, admittedly, but still a number of them were bringing small amounts of heroin in with them into New York City.

So instead of the very finite number of Chinese groups who are dealing in drugs, we have lots of Chinese dealing on a very small level, and they brought small amounts of heroin with them from Taiwan and other areas. That went on from 1967 to the mid-1970's.

One of the questions I heard the chairman ask was "Who were they dealing with?" At that time, they were still basically dealing with traditional organized crime traffickers.

Then in the mid-1970's, the New York City Police Department and at that time, the Bureau of Narcotics and Dangerous Drugs, made some outstanding cases, both in New York and in the Orient, and changed very rapidly the trafficking patterns of Chinese New Yorkers.

What very simply happened was that from the mid-seventies until the 1980's, we saw almost no southeast Asian heroin in New York. What was happening was the Chinese traffickers were rerouting almost all of their heroin traffic to Europe. There was very little oriental heroin in the New York area from, I would say, the mid-seventies until the early 1980's.

But at that same time, again as Inspector McKenna was mentioning, the Chinese gangs, the two predominant ones being the Ghost Shadows and Flying Dragons, were involved in other types of crime—extortion, alien smuggling, prostitution, et cetera; and a lot of those caught by the New York City Police Department were sent to jail. Unfortunately for us, apparently, they are educated in jail about the drug trafficking. So as the youth gang members started to come out of prison in the mid-1980's, particularly the Shadows and the Dragons, they became involved in drug trafficking.

That is basically where we are right now. This has changed dramatically since 1983. When DEA testified in 1983 before the Presidential commission, we said, and it was accurate at that time, that the youth gangs as entities were not that involved in heroin traffic. That is not true today. The youth gangs are very much involved in heroin traffic in New York.

What is happening is basically a very small number of older, very well-to-do Chinese who immigrated into the United States are controlling the import businesses, own pieces of finance companies and banks and, as the Inspector mentioned, are actually making arrangements for the loads of heroin to be smuggled into the United States.

Very often, however, they aren't even touching the drugs. They are making the arrangements for it to come from the Orient, generally either through Bangkok or Hong Kong, to the United States, ending up in New York, and very often, that heroin ends up immediately in the hands of the youth gangs.

The youth gangs are then responsible for distributing the heroin, either in pounds or ounce quantities. And another major change, of course, that has taken place in New York is the Chinese heroin traffickers are now dealing very often with black and hispanic traffickers, as well as the traditional organized crime traffickers.

As far as how severe the problem is or organized for heroin, I would like share a few statistics we worked up for the hearing. Basically, in New York, we have two types of heroin available: Southwest Asian, which comes from Pakistan, Afghanistan, and Iran, controlled by organized crime through the United States; southeast Asian, which generally comes from the Golden Triangle, which is generally controlled by southeast Asian organizations. We see very little Mexican heroin available in New York. So those two basically make up our heroin availability.

Of course, I don't need to remind the Chairman that of the approximately 500,000 heroin addicts in the United States, most treatment centers think New York has about half of them, almost 250,000 addicts in the New York City area.

According to the monitor and signature programs which are programs where DEA agents go out and buy heroin on the street, not for prosecution purposes, but for source analysis purposes, in 1983, 16 percent——

Chairman ROTH. Was that 16?

Mr. STUTMAN [continuing]. Sixteen percent was from southeast Asia and eighty four percent was from southwest Asia. In 1984, 26 percent of the heroin available in New York was from southeast Asia and 74 percent was from southwest Asia.

The latest figures that we have through the end of 1985, according to the monitor program, 44 percent of the heroin available in New York City was southeast Asian heroin, and approximately 56 percent was southeast Asian heroin.

Chairman ROTH. Let me ask you a question. You say 44 percent. That is a tremendous increase in, what, two years? When was the 16 percent?

Mr. STUTMAN. Sixteen was in 1983, so basically a little over 2 years, Mr. Chairman.

Chairman ROTH. Two years, so that is a tremendous increase.

Mr. STUTMAN. That's corrrect.

Chairman ROTH. Is this 44 percent pretty much handled, do you think, by the Chinese gangs or partly by the traditional mob?

Mr. STUTMAN. Let me again explain, the 44 percent is the percentage of retail buys made on the street that were of southeast Asian origin. It is not necessarily indicative of controlling factors. Our best intelligence estimate, Mr. Chairman, is that between 20 and 25 percent of the heroin available today in New York City is of southeast Asian origin and is generally, up to a point, controlled by oriental traffickers, almost always Chinese.

Chairman ROTH. I think that is an important factor. Basically, the testimony of the inspector was that in his experience in San Francisco, most of the crime was directed to the Chinese community. What you are saying to me is that in New York, as far as drugs are concerned, the Chinese gangs are handling a substantial percentage of the heroin that is available to the addicts within New York City. So it is a much broader problem.

Mr. STUTMAN. That is exactly correct, Mr. Chairman. The Chinese youth gang traffickers generally are not dealing with retail level heroin. What they are doing is wholesaling it out to other groups.

Chairman ROTH. You mentioned that they have some kind of, I gather, a working relationship with the other groups, the blacks and Hispanics and traditional organized crime. Do we have any hard evidence regarding what that working relationship is? I take it that up to comparatively recently, most of this was handled by organized crime, so that this is a new kind of block moving into it.

So has this been worked out, or how has this happened?

Mr. STUTMAN. Well, there has always been a traditional tie in the heroin business in New York between oriental traffickers and traditional organized crime. That has gone on for years, and frankly, continues to go on today. A case made recently in New York against a gentleman which, when we arrested him, we seized from his house 5.6 million dollars in cash in 36 carry-on bags laying around his house. In that particular case, the source of supply for that traditional organized trafficker was a Chinese woman, who was controlling the heroin available to that traditional organized crime group.

Apparently, where the tie-up between the blacks and Hispanics and the Chinese came about was, very frankly, in prison. They comingled in jail, and they met each other, and the money overcame everything else, and they became very close partners. So while a good deal of the heroin, for instance, on those monitored buys available in Harlem would be to the naked eye controlled by strictly black traffickers, again, if you go back beyond that level, you would see very often, we think probably 20 to 25 percent of the time, it was oriental traffickers that were responsible.

Chairman ROTH. This is really a very rapid expansion of heroin coming in through these Chinese groups. Will that continue to expand?

Mr. STUTMAN. It is very difficult to prognosticate in this business.

Chairman ROTH. Sure.

Mr. STUTMAN. I myself pointed out that one of the interesting things that we are seeing in New York, Mr. Chairman is a leveling off or possibly a decreasing of the heroin problem, in general; less heroin addicts in general. That is not necessarily good news, because unfortunately, the new addicts are becoming addicted to crack, which is probably even more dangerous. But the percentage of heroin available appears to be less and less controlled by traditional organized crime.

We are beginning to see a dimunition of heroin controlled by organized crime. I would offer to you, Mr. Chairman, that is due in great deal to the tremendous law enforcement work done by the New York City Police Department, the FBI, and in some cases, DEA, against trafficking organizations that were traditionally tied to organized crime.

You need only to pick up a newspaper in New York, and you see the traditional organized crime trials going on. We believe that has had an effect on the traffic. Drug traffickers love a vacuum. As organized crime appears to be controlling less and less of the traffic, then other organized crime will move in, and it certainly appears that the oriental traffickers are picking up a fair piece of that action. Again, it is a larger percentage of a level total amount of heroin.

Chairman ROTH. You were here during the testimony of the Inspector. Do you find the same kind of organization existing in New York that he has in San Francisco?

Mr. STUTMAN. Yes, sir. I think the Inspector gave an excellent overview of what a gang is made up of. The one thing I would say, and I don't think it in any way conflicts with what the Inspector said, we see very little evidence in New York City of involvement of either the tong organizations or the triads, as we know them.

We do see the gangs, and I guess one can stretch the definition of Triad to gang. I'm not sure where the line is. We do see the gang evolving, and we do see the older Chinese who are involved with the import-export business, finance businesses, et cetera. But we certainly don't see the tongs. We occasionally see a tong member being involved in trafficking, but not as a function of the tong; an individual may occasionally. But generally, we see that, clearly, in New York City, the emergence of the Taiwanese-Chinese.

Chairman ROTH. Taiwanese?

Mr. STUTMAN. The Taiwanese are becoming more and more important. They appear to be taking a larger part of the traffic. The second group in New York, I would have to say, are probably the Thai-Chinese—Chinese nationals, but of Thai origin. They seem to be taking a larger part of the traffic.

Chairman ROTH. Let me make sure what you meant. Taiwan; they were Taiwanese born in China?

Mr. STUTMAN. Right, Chinese-Taiwanese raised in China. We don't see what the Inspector talked about, hiring of the Vietnamese. I guess he sees that in San Francisco.

But the Vietnamese dealing in drug trafficking are almost always of Chinese background.

Chairman ROTH. Are you saying, in essence, that you think there is a Taiwanese connection, because of the fact that there are many Chinese from Taiwan involved? Is there any hard evidence of a direct relationship, say, with Chinese in Taiwan or Hong Kong?

Mr. STUTMAN. Yes. Yes. There certainly is and in a number of cases that have been made, the 210 pounds seized in Seattle, there have been definitive ties directly back to Taiwan and Hong Kong.

The oriental group that we instituted in February aimed at oriental traffickers in general, specializing mainly in Chinese groups has seized or is responsible for seizing approximately 150 pounds of heroin from Southeast Asia. That is a great deal of heroin coming into the New York area.

The significant percentage of those cases were directly tied to Taiwanese. I think there have been 28 what we classify as class 1 or 2 traffickers arrested, class 1 or 2 meaning basically heads of organizations. I am not sure how many of the 28 were Taiwanese, but it was certainly a significant percentage.

I should also point out that DEA does have an office in Hong Kong, Mr. Chairman. There is no doubt that we have an extremely close working relationship with Hong Kong police; with Taiwanese police, and we have a very large contingent of DEA agents stationed in Thailand. They have close working relationships with Thai nationals.

Chairman ROTH. Has any effort been made at the high government level to have a conference or dicussions about how this kind of trade can be stopped?

Mr. STUTMAN. We have, in New York City, we certainly have regular meetings, almost to the point of being daily, with FBI and the New York City Police Department who are the two agencies that work on a daily basis with us on trafficking. Our agents are literally in each other's offices almost on a daily basis, sharing information, making sure we are not crossing the wires, et cetera.

And again, as I did say, we do have agents stationed full time in Hong Kong and Thailand, and I know the relationships with them are very close. Our Southeast Asian group, for instance, talks almost nightly with our office in Thailand and Hong Kong. One of the enforcement problems, I heard you asking the Inspector what some of the enforcement problems are; sometimes they are very practical, like our agents have to stay up to midnight to be able to talk to our agents in Hong Kong to get any conversation. But the relationships are very close.

Chairman ROTH. This is in the law enforcement level. Let me go one step further to see if you would want to comment on that. Do you think it would be helpful to try to get, at the highest diplomatic level, a discussion with the Taiwanese to try to get the government there to stop this trafficking?

Do we know who are the key figures in Taiwan behind this narcotics traffic?

Mr. STUTMAN. Mr. Chairman, with all due respect, I would like to hold off on answering that question. I think it would be more appropriate for somebody from our national headquarters to answer. I generally sit and worry about New York, and that takes about 13 or 14 hours of my day.

Chairman ROTH. I appreciate your answer and understand why, but it does seem to me with our close working relationships it may be worth exploring at a diplomatic level to see if some pressure can be brought to bear.

Mr. STUTMAN. From a law enforcement point of view, the relationships are very good and close, and they are very trusting.

Chairman ROTH. Let me go back to one of your earlier statements. You said that there were individual Chinese involved, and the way you put it, it seemed to me that they were not, if I understood you, so much members of the gang but maybe just businessmen involved in this. Is that correct?

Mr. STUTMAN. Two different types of people. The ones who are responsible for the importation and the financing are basically as you describe them, the business people—generally, importers and exporters and financiers. Those are the ones who are responsible for either financing or smuggling. They are rarely responsible, however, for the distribution.

Distribution is generally the responsibility of the gangs. So what you have is a working relationship between business and the gang people, and very often, not always the case, but very often, the business people don't even touch the heroin. They make the arrangements for the heroin to go directly from southeast Asia to the gang, where the gang is then responsible for distribution.

Chairman **Roth**. Have we had any success in prosecuting these people?

Mr. **Stutman**. We are more and more and are beginning to have a good deal of success, Mr. Chairman. As I mentioned before, just since February 1, DEA in New York has arrested and has prosecuted approximately 28 class 1 and 2 heroin Chinese traffickers. I would say, very frankly, that is beginning to expand our sources of information in the oriental community.

That would expand one of our greatest problems. And I certainly endorse what the Inspector said, which was until very recently, our agents who are outstanding criminal and narcotic investigators couldn't talk to people to get information from them.

We can now do that, because we do have a fairly good basis of Cantonese and Mandarin agents. So we have been getting into that.

Chairman **Roth**. You may have heard my concern about money laundering. How would the Chinese drug traffickers launder and invest these illegal profits?

Mr. **Stutman**. Very often, very different from the Colombia drug traffickers or traditional organized crime, they set up businesses, the difference being the Chinese businesses very often are semi-legitimate businesses, are as the Colombian traffickers that deal with cocaine; they are very often simply business fronts.

The businesses have banking relationships in other countries, in this case, of course, Hong Kong and southeast Asia, and the transfer of funds, wire funds are transferred back and forth. After the funds have gone overseas, the funds are wired back to the United States clean and are then put, very often invested, into investments in the United States, very often real estate.

The Chinatown area of New York, and I know the Chairman has been to New York a number of times, the Chinatown area is continuing to expand in New York, whereas it was one time surrounded by, basically, the Jewish side and the little Italy section. It is consistently expanding beyond the old limits, and much of those buildings are being bought with cash. Of course, we are looking very closely at a number of those cash transactions.

Ms. **Kammerman**. Mr. Stutman, you said that your office had arrested some 28 people since the program's inception. What was the immigration status of those people?

Mr. **Stutman**. About half, maybe slightly off, but about half of the Chinese we arrest are illegal aliens.

Ms. **Kammerman**. Do you know how they come into the country?

Mr. **Stutman**. How they come in? Not offhand, sorry.

Ms. **Kammerman**. One last question. Last week we had a hearing about Nigerian emerging criminal groups. The U.S. Attorney for the District of Columbia told us that the Nigerians have essentially taken over the distribution network in the District of Columbia. Do you have that same experience in New York?

Mr. **Stutman**. Not at all. Nigerians, although we do have some Nigerian traffickers, are generally at a very low level and certainly not able to compete with either the southeast Asians or traditional organized crime.

Chairman **Roth**. I just have one final question. Do the Chinese drug traffickers deal in other drugs beyond heroin?

Mr. **Stutman**. Again, one hesitates to say never, but generally, only heroin, although there is a possibility that that could begin to change; because we are beginning to see more and more Chinese traffickers who have substantial experience in South America, going from southeast Asia to Latin America and then up. And we are beginning to see groups that were dealing heretofore only in heroin that are now beginning to deal in cocaine in New York.

That could very easily happen in southeast Asia, but right now, the southeast Asian traffickers are almost exclusively heroin.

Chairman **Roth**. I thank you for being here.

Mr. **Stutman**. Thank you, Mr. Chairman.

Chairman **Roth**. Our final witness is Detective Jim Badey from nearby Arlington, Virginia, who works in the Vietnamese community.

Mr. Badey, would you raise your right hand? Do you solemnly swear that the testimony you give before the Subcommittee will be the truth, the whole truth and nothing but the truth, so help you God?

Mr. **Badey**. I do, sir.

Chairman **Roth**. Thank you. We are pleased to have you here, and we look forward to hearing your statement.

TESTIMONY OF DETECTIVE JAMES BADEY,[4] ARLINGTON, VA, POLICE DEPARTMENT

Mr. **Badey**. Thank you, Mr. Chairman, for this opportunity to testify before the committee. I have already prepared a statement and have submitted it for the record. With your permission today, I would like to make a brief oral presentation prior to any questioning.

Chairman **Roth**. Please proceed.

Mr. **Badey**. I would like to preface my remarks with the statement that this is not a condemnation of all Vietnamese. We are speaking only of the minority that are involved in criminal activity. You may wonder who I am and what qualifies me to be here today. I will tell you, sir. I am a 9-year veteran of the United States Marine Corps. I served with the Marines and landed in Vietnam in March 1965. I left Vietnam with two orphans, victims of the V.C. In 1968, I joined the Arlington County Police Department. For the next 8 years, I worked in uniform on the street and followed that with 3½ years working in narcotics and vice and another 3½ years working in white collar and burglary investigation. In the summer of 1983, I began working in the Vietnamese community.

I was assigned to the Vietnamese community in Arlington as a result of incidents which had occurred over a 2-week period. These incidents involved a rather large number of young Vietnamese males who had been involved in fighting amongst one another. After all the dust had settled, there were about ten arrests; several guns had been confiscated, along with meat cleavers and some rather large knives.

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[4] See p. 146 for Mr. Badey's prepared statement with attachments.

The local news media had a field day with headlines such as "Vietnamese Youth Gangs Fight for Turf" and things like that. It was then that I was given the simple but explicit order to find out what was going on in Arlington's "Little Saigon."

I went into the community in an open and overt manner. I placed an ad in a local Vietnamese newspaper saying I was there to identify the local troublemakers, to take them off the street and make it safe for the people living there to conduct a normal life. I talked with individuals from all walks of life in the Vietnamese community. I talked with old southeast Asian bands and people from the involved agencies like the State Department and other U.S. Government agencies.

But more than talk, I listened. Then I began to read everything I could get my hands on concerning the Vietnamese people, enrolled in George Mason University and took several Asian history courses; and I continued to read, talk and listen. I was constantly in the community. People began to accept me. They began to trust me, and confidence was established.

I sought out law enforcement officers in other Vietnamese communities throughout the country. As a result of this, we are in constant communication with one another. On any given day of the week, I talk to my counterparts in San Jose, Garden Grove, Westminster, Houston, New Orleans, Portland, Philadelphia, New York, Boston, Vancouver, San Francisco and so on.

I also have contacts in Canada and Australia. Time zones may be different. Our speech and pronunciation may be different, but we all have a common denominator in our Vietnamese communities. Criminal activity is absolutely the same.

The question that is asked of me most often concerns Vietnamese gangs. As a law enforcement officer, I define a gang as a group that has an accepted leader with the power to enforce discipline upon its members and a definitive geographical territory, a turf, so to say.

Applying this definition and from the evidence I have seen, I do not believe that there are Vietnamese gangs at this time. However, there are Vietnamese criminal groups which I and other law enforcement officers believe have the capacity to mature into real gangs. Let me describe two general types of Vietnamese criminal groups, which I call roving bands and local groups.

The roving bands travel from one Vietnamese community to another throughout the United States committing serious and dangerous crimes. They have no names and no permanent leader. Their membership is very fluid, and there is no group loyalty.

As they travel, some members drop out and go their separate ways, while new members join this band. Members are normally male, rangng in age from 16 to 25, and travel in numbers of three to ten. They have minimal language and job skills, and often no nuclear family in this country.

They commit a series of crimes, such as home invasion robberies, commercial robberies, and automobile burglaries and thefts. The common target for these thefts are Toyotas and Datsuns. In fact, I have with me today a device that was sent to me by the police in

Westminster, California. It was a device they picked up from Vietnamese suspects who were involved in a series of auto burglaries of Toyotas and Datsuns.

This device looks like a hair pin. It is actually made from parts of windshield wiper blades, and it was never seen before until the Vietnamese came in. It was found by them and is used by them.

Chairman ROTH. Can I see it? Let me ask you, is this something that you are saying is specifically produced by and for these Vietnamese groups?

Mr. BADEY. Yes, sir. I think with their ingenuity, they were able to put this together from simple parts of the windshield wiper blade. They used it, and they kept it with themselves. We have never seen anything like that before.

Chairman ROTH. But this is rather prevalent among these groups, in particular?

Mr. BADEY. Yes, sir.

Chairman ROTH. Please proceed.

Mr. BADEY. These roving bands pose a difficult problem for law enforcement, and the problem is of identification. It is not uncommon to find multiple identifications with different names and dates of birth, with adults often claiming to be juveniles, attempting to take advantage of the more lenient juvenile justice system. Verification of identity, age and addresss is, at best, extremely difficult.

I would like to illustrate what I have been saying about these roving bands, and we have here a chart showing a series of crimes committed from January 1985 to March 1986.[5]

We look across the top of the chart, and we see Vietnamese crime groups, a criminal circuit. The next line, we have cities and dates. We have New Orleans, LA, January 1985; Houston, TX, February 1985; northern Virginia, March, 1985; Rapid City, SD, April 1985; Vancouver, WA, July 1985; back to Arlington, VA in March 1986.

On the left from top to bottom you see suspects A through T. These, rather than putting the names, because they are rather confusing, we found it simpler to put letters A through T, each letter representing an individual. It is a bar graph showing individuals getting together, joining and floating across together, dropping in, joining up and going out.

Let me explain it verbally as we look at the chart.

On January 30, 1985, in New Orleans, LA, five Vietnamese makes ranging in age from 18 to 22 from cities in California, Florida and Louisiana committed two armed robberies and aggravated assaults. One robbery was of a grocery store and the other of a residence. In both cases, the victims were Vietnamese and were pistol-whipped.

Six days later, on February 5, 1985, in Houston, TX, the same original five Vietnamese, along with three other Vietnamese males of similar age and from southern California, were apprehended while stealing a stereo from a Toyota Celica. At the time of arrest, they posessed four hand guns, two of which were stolen from Louisiana and California.

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[5] See p. 158.

Until the Houston officer assigned to Asian matters contacted his counterpart in New Orleans, he did not know that the first five were wanted by new Orleans authorities or that the van A-H were driving was stolen in the New Orleans robbery but had never been reported by the Vietnamese victim.

During the last part of February 1985, I received a call from my counterpart in New Orleans. He told me he had information that the original five, that is A-E, and some others may be heading to this area, Washington, DC, the metropolitan area.

On March 10, 1985, I came in contact with two from the first group, and another new face, who were all living together with a local hoodlum in Arlington, Virginia. I was able to identify the car they had used to come here. It was a stolen Datsun which had been take off a dealer's lot in Louisiana, but was bearing a Texas license tag. Its speaker had been removed and put in a car belonging to the local Vietnamese hoodlum.

Meanwhile, three from the original five had been arrested in Fairfax County, as they had been attempting to steal a car there. Three weeks later, on April 1, 1985, a juvenile was arrested in South Dakota. While he was being processed, three other guys committed an armed robbery of a Chinese restaurant. These three left town but were subsequently identified by the Rapid City authorities from pictures and prints I sent to them of the individuals involved in those previous matters up there.

I understand that there is no large Vietnamese community in Rapid City, SD. You might ask: Why there? The only reason we can figure is that is on Interstate 90, which is a major thoroughfare from the East to the West Coast.

About the 18th and 19th of July 1985, I received a call from authorities in Portland, Oregon. They inquired about a vehicle from Virginia which had been seen in their city and was occupied by four Vietnamese males. There was nothing on it at that time; it was a clean vehicle.

We have determined that it left the area legitimately about the 17th.

However, on July 21, it was four Vietnamese, over here, next to the last column, those four Vietnamese from Northern Virginia, along with six others from Seattle, Portland and Vancouver, and an old friend, letter C, all the way across there, they were apprehended for shooting into a Vietnamese restaurant and stealing radios from victims' cars.

Just to complete the circuit, two of the guys who were originally from here returned here and were arrested in March 1986 for a series of thefts from autos and forgery and cashing of checks from those autos. Interestingly enough, when one of these subjects was arrested, he had in his possession several non-Vietnamese identifications. They were in an envelope which was stamped and addressed to another Vietnamese subject in Oklahoma City.

As you see, these bands quickly travel a circuit of cities, picking up new members as they go and losing some along the way, and they commit crimes, and they are armed.

The other kind of Vietnamese criminal groups I mentioned is the local informal group. These groups are found in most Vietnamese communities. They are loosely formed and have an individual who is very charismatic, acting or asserting himself as a leader who will find an older person in the community who is guiding him. It is difficult to determine the number of members or even the number of these groups, because they lack a certain cohesiveness which gives them an identity.

These groups engage in extortion, robberies and gambling operations.

There is also more sophisticated criminal activity taking place. An example would be a gambling operation that we exposed. From documents seized during the execution of a search warrant it was estimated the sports betting during the football season of 1984 generated $100,000 each weekend. The course of this investigation included search warrants being executed on businesses, residences, and safety deposit boxes. From the operator, $13,000 in U.S. currency and thousands of dollars of gold and jewlery were recovered.

The gold seized was in the form of taels, and I have a package of it here and understand the Senator already has it. This is commonly used as a form of underground currency. By converting assets into this form, the Vietnamese are able to build their fortunes and avoid the infamous paper trail, thusly avoiding State, local and Federal taxes, also.

There are also sophisticated crimes involving or schemes involving the importation of prescription medicines from France for use in the Vietnamese community and for shipment back to Vietnam. These medicines are sometimes used by the Vietnamese for illnesses, but more often than not, used for bartering on the black market. This is done openly, even with advertisements for such activities on store fronts that conduct the business, and they even have papers proclaiming what they do.

This is done in such a fashion, because it is known by the Vietnamese that few American law enforcement officers speak Vietnamese. According to news accounts, information from my California counterparts and informants, fraud appears to be widespread throughout the Vietnamese communities throughout the country.

I have described how the roving bands, the local groups, the more sophisticated schemes operate. I have shown the great potential for violence as evidenced by the guns confiscated at the times of arrest. It is the general consensus of those of us who work in the Vietnamese community that there exists a nationwide network of Vietnamese criminals which could very easily be the foundation for a Vietnamese organized crime syndicate in the future.

Thank you.

Chairman ROTH. Thank you, Mr. Badey. Now as I understand what you are saying, that phenomenon has not occurred yet. These are still pretty much roving gangs that are not well structured or organized with discipline dictated by hierarchy?

Mr. BADEY. That is correct. I want to say they are in the incubation stage, yes, sir.

Chairman ROTH. Is there any evidence that these young men, as they begin to find meaningful employment, move out of such gangs, or are you able to really follow them?

Mr. BADEY. There has been some movement out and getting legitimate jobs, but there is still that great pool for recruitment.

Chairman ROTH. You made some reference to what you call a tael?

Mr. BADEY. Tael, yes, sir.

Chairman ROTH. Just exactly what is this and how is it used?

Mr. BADEY. This complete package is a tael. It is 27 and a half grams, 24 karat gold.

Chairman ROTH. Twenty-four karat gold.

Mr. BADEY. Yes, sir.

Chairman ROTH. How much is this worth?

Mr. BADEY. I think the market yesterday was $420 an ounce. It is three and a half pieces, and the Vietnamese will save up enough money, whether it be $420 dollars today, with $420 they will go and buy a tael. It is recognized; across it is the name of a well known man who has a great reputation as a goldsmith. The place it is made, it is made in Saigon, Hanoi, Nam Dinh and Phnom Penh. Those are four places where it is from.

This, I was told, was made in one of those four places. Because the Vietnamese in this country, when they have the mold, the back of it is very smooth. With the lines and the roughness, they indicate that it was made over there.

It is a form of underground currency, common.

Chairman ROTH. Why do they use it?

Mr. BADEY. Why do they use it?

Chairman ROTH. Why don't they use American currency?

Mr. BADEY. To hide their assets, hide their fortune, to beat the paper trial. You never know what they are doing. It has been reported to me that many on welfare and food stamps and other such programs are working on the side to take that money they get, so there is no record of it. They then conceal it in the gold. They build it up until they want to make purchases, and then they go to the Vietnamese and deal with it that way.

Chairman ROTH. I gather from your testimony these young gangs primarily pray on people of their own background?

Mr. BADEY. Yes, sir, that is true. The highly violent physical type of crimes involving extortions and the home invasion robberies, that is primarily exclusively in the Vietnamese communities. However, then there are nonconfrontational crimes, such as breaking into automobiles or stealing the parts or stealing checks and identification by far is fair game.

Chairman ROTH. Has the Vietnamese community itself attempted to develop any answer or any approach to take these young people off the street?

Mr. BADEY. I have not really seen it, sir.

Chairman ROTH. I regret that we have a vote on the Senate floor. I am going to have to leave. We may have a number of other questions that we will submit to you. But I want to express my appreciation.

I gather I can't keep this.

Mr. BADEY. No, sir, I would like to have that back. [Laughter.]

Chairman ROTH. I appreciate very much your being here today, and again, your testimony is helpful to the subcommittee. Thank you very much.

Mr. BADEY. Thank you, sir.

Chairman ROTH. The committee is in recess.

[Whereupon, at 11:15 a.m., the subcommittee was recessed, subject to the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Statement of John Jones

Before the U.S. Senate Permanent Subcommittee on Investigations
September 17, 1986

Chairman Roth and Members of the Subcommittee,

I am here today to describe what I know about Nigerian criminal activities in the New York area, particularly those involving credit card frauds.

When I entered the United States in late 1983 I had a legitimate passport and visitors visa, but I cut some corners to get my passport since this normally takes a very long time in Nigeria. I have been in New York longer than my visa allowed and no one has bothered me about it.

In Nigeria bribery will get you just about anywhere, and a payment of about $100 can "influence" how long it takes to get a legitimate passport. You can also pay Nigerians who work in the U.S. Consulate to "influence" how long it takes to get a legitimate visa.

However, if somebody wishes to get an illegal passport, there is a location in Lagos which is just like 42nd Street in New York where you can pay $1500-2000 to get a false passport, with a false visa tossed in.

After I arrived in New York I got a job as a security guard. This was very easy to do. I made up a new name and social security number and said I was from the Virgin Islands. I was assigned to the midnight shift at a large New York corporation. Lots of Nigerians have these security jobs and I learned later that many Nigerians take these jobs just to get access to employee identification information to use in obtaining credit cards. But when I first got my security job it was just because I needed some income. At one point I went to school during the day and worked at night but this was not a problem because I could sleep most of the time while working.

The Nigerians whom I have met and have heard about in New York are into all sorts of white collar crimes. It is so easy to obtain false credit cards and I am surprised that more Americans have not gotten involved in this.

I learned about credit card frauds at parties. Nobody is really secretive about the frauds, but at the same time you don't have classes or anything like that. You pick up the methods bit by bit. Friends would give me card applications or tell me where to get them.

In filling out the applications, it is important to have accurate information in the spaces for name, social security number, and employer, since these may be verified by the bank. This information generally comes from the security jobs. Nigerians will write anything in the other spaces.

I got a mail drop with two friends and lots of applications and obtained about 15 phony credit cards using different names. The best use of the cards are to get cash advances from banks, up to the card limit. Then some shopping can be done as most stores don't check to verify the cards. When the monthly statement arrives, you can send a bad check to clear the card balance to zero, and then the card can be reused to its limit before the bad check is noticed. Most cards are used for a short period of time and then dumped.

I know about 50 Nigerians in New York and about 25-30 of them use fraudulent credit cards regularly to get the money to pay their bills and buy whatever they want. Everybody else uses the cards occasionally. Getting and using the cards becomes addictive with most of the Nigerians I have met.

I got caught by the Postal Inspection Service and pled guilty to one count of credit card fraud earlier this year. I am currently awaiting sentencing.

I am not aware of any real fraud structure or organization. Most of the Nigerians I have met here are too selfish and greedy to want to get involved with others and share money, although information is shared at times. Still, there might be some organization I don't know about since I have heard of Nigerians who are arrested and immediately come up with $10,000 to get out of jail, which indicates that somebody is helping them.

I am aware of a lot of student aid fraud but some schools in New York are tightening up and requiring original birth certificates to prove American citizenship before Pell Grant money is given out. But all Nigerians know that the schools never check citizenship on the applications. I am aware of situations where Nigerians have received aid money and then dropped out of school.

Deportation back to Nigeria is a joke. As long as you have the $1000-2000 needed you can return under a new name.

I would be glad to answer your questions.

STATEMENT OF JOSEPH E. DIGENOVA
TO THE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS
REGARDING NIGERIAN DRUG TRAFFICKING

Good morning, Senator Roth, and Members of the Subcommittee. I want to thank you for the opportunity to address you regarding a disturbing new dimension in illegal drug trafficking in the District of Columbia and elsewhere: the growing role of Nigerian nationals in the smuggling and sale of heroin and cocaine.

I would like to emphasize at the outset that the Subcommittee is performing an important public service in holding this hearing. Identifying the nature and scope of criminal activity is a critical factor in providing policymakers with the information they need to fulfill their obligations.

Moreover, I want to stress that the purpose of my testimony is not to stigmatize the citizens of Nigeria or all Nigerian visitors to the United States with unfair or unfounded accusations. My testimony today is directed solely to matters of public record. That public record sadly reflects the fact that many Nigerians have applied their considerable skills and energies into a successful effort to dominate the heroin trade in the Nation's Capital.

We first began to be aware of the problem here in Washington in late 1983 as a result of a successful FBI-DEA undercover investigation.[1] Our subsequent investigations have shown that drug trafficking by Nigerians has become well organized and extensive. In fact, investigations in the past three years of heroin traffickers in the District of Columbia have shown that Nigerians are now providing the drugs sold on the street by these groups.

The Drug Enforcement Administration, the Federal Bureau of Investigation, the United States Customs Service, the Metropolitan Police Department, and numerous other law enforcement groups have dedicated substantial resources to the investigation of Nigerian traffickers. As a result we have developed, and are continuing to develop, information about the structure of their organizations.

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[1] We first began to see this phenomenon in the latter part of 1983. Our first prosecution was United States v. Olanrewaju O. Abayomi, et al., Crim. No. 84-104. While we were unable to develop sufficient evidence to charge all of the members of the conspiracy, we were clearly aware that many individuals were involved.

The initial arrests were made during the course of an FBI investigation in which DEA provided the undercover agent. The case initially focused on a Captain in the Nigerian Army, Olanrewaju O. Abayomi, who was stationed outside of Washington, D.C. This Captain was introduced by an informant to the DEA undercover agent. Surveillance and other investigations showed that Captain Abayomi was working with another Nigerian named Ademola Ogun.

After numerous sales to the undercover agent, both Abayomi and Ogun were arrested; Ogun carrying a loaded pistol. A subsequent search of Ogun's apartment at 9955 Goodluck Road in Greenbelt, Maryland showed that numerous Nigerians had luggage in the apartment -- some of which contained a large amount of currency. Also found was an indictment from the Eastern District of New York in which four Nigerians were charged with smuggling heroin into the United States several months earlier. Investigation then showed that Ogun had paid cash for lawyers for these couriers. One of the couriers -- who appeared to be in charge of the group -- had written on the inside of his belt "9955 Goodluck Rd" -- an address which was meaningless to the New York DEA agents at the time that they arrested the couriers, but which later became obvious. Subsequent investigations have showed numerous others were connected to this conspiracy in different roles.

One of our findings is that these smuggling efforts by the Nigerians are well-organized. There are four or five major groups operating in the District of Columbia metropolitan area, and their members have well defined roles. At the lowest rung of each organization is a vast network of couriers who have been recruited in Nigeria from the ranks of students, friends, and the unemployed. The traffickers provide these couriers with roundtrip airline tickets from Nigeria to the United States and pay a fee of between $2,000 and $3,000 for each trip. The most common method they use to smuggle heroin is to conceal it within body cavities. Other methods involve carrying the heroin on or about the body, in hollowed-out heels of shoes, in the hollow tubes of luggage carts, record album covers, in foodstuffs and in African artifacts. As a rule, these couriers travel in groups and are shepherded into the country by an individual who is a senior member of the drug distribution organization. When these couriers arrive in the United States and clear Customs, they are then brought to the District of Columbia. The narcotics are then turned over to higher ranking members of the organization. After the heroin is collected, the organization has various members who have contacts among American drug dealers. At the present time, the heroin is usually sold in one-ounce quantities, and the price ranges from $4,000 to $8,000 per ounce depending on the purity.

While Nigerians are relative newcomers in the area of heroin smuggling, having come on the local scene in the later part of 1983, they have quickly learned how to be proficient in this area. They have become skilled in cutting their heroin with diludents in order to increase its bulk which brings them larger profits. Their sophistication appears to have been developed to a large part from the incarceration of some of these traffickers with American drug dealers.

Not only are the Nigerians well organized in smuggling heroin into the country, they are also well organized in moving the money they make out of the United States. Unlike some of the other drug importers, the Nigerians do not usually invest their illegal profits in the United States. Instead, they generally smuggle American dollars out of the United States into London or into Nigeria, where their profits can be multiplied by black market activities. It is generally difficult to apprehend these individuals as they remove the currency from the United States. Frequently, trusted members of the organization are asked to carry the currency out of the United States in suitcases. As a result of information provided by confidential sources, we have been able to stop some of the money couriers and seize hundreds of thousands of dollars from these smugglers.

Our investigations have also shown clear patterns on how the Nigerians obtain their heroin. In our early investigations during 1984 and 1985, it was clear that the vast bulk of the Nigerian heroin had its origin in Pakistan. More recently, our investigations have shown that the Nigerians are also utilizing India as a major source country.

We have found that investigating the inner workings of the senior members of these various drug trafficking organizations to be particularly difficult. One of our major problems is that the Nigerian traffickers generally transact business among themselves in their tribal languages. While English is the official language of the Federal Republic of Nigeria, virtually every Nigerian is conversant in at least one tribal dialect. As a result, they discuss, with impunity, their trafficking plans in the actual presence of undercover agents.

It is also difficult to acquire accurate information on the true identity of specific suspects. We have found that drug-dealing Nigerians frequently possess multiple passports under a variety of names. It is not uncommon for an individual to have passports in a Muslim as well as in a Christian name. In addition, there are thousands of stolen blank passports in circulation which are easily forged with various aliases. During the course of executing search warrants, we have found official Nigerian birth certificates with governmental seals, official blank drivers licenses from the Federal Republic of Nigeria and other documents which the smugglers use to obtain fraudulent identification for use in the United States.

Heroin is the primary drug being smuggled into the United States by these groups. They also, however, travel to South America, generally Brazil, where they pick up cocaine which they smuggle into the United States.

Nigerian traffickers often utilize fraudulent credit cards and stolen checks to help finance their drug operations here in the United States. They also obtain carbons of used credit cards or collect information about specific individuals and then have credit cards issued in that person's name, having the cards delivered to mail drops controlled by the drug organizations. These credit cards are then used for short periods of time -- periods of two to three months. During this time, numerous individuals use the credit cards to travel up and down the East Coast collecting heroin or money from the drug distribution organizations. Due to the fact that these credit cards are rotated among different individuals, it is very difficult to identify which individual used a credit card at any given time.

In conclusion, we expect that large numbers of Nigerian drug couriers will continue to travel to the United States, because they have found the sale of heroin to be so lucrative. Ironically, many Nigerians are not afraid of going to American prisons, because they feel that our prisons are relatively humane. We also expect that they will continue to become more and more sophisticated in the manner by which they smuggle the heroin into the United States. The Nigerian drug smugglers are intelligent individuals and they have learned quickly from their American counterparts -- and have even improved on established techniques -- which allow them to smuggle greater quantities into the United States and earn larger profits.[2/]

In order to have an impact on these Nigerian drug smugglers, we must obtain the full cooperation of the Nigerian government and exercise prudent and lawful vigilance concerning the activities of individual Nigerians who visit this country.

More specifically, I suggest that the problem of drug trafficking is so severe that it may be necessary for us to consider more dramatic steps, such as limiting the number of visas we provide to Nigerian visitors. While this would be an extreme measure, the problem we are facing from these drug traffickers is monumental. The Subcommittee's role in highlighting this issue is a valuable

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[2/] Several of our undercover operations have been foiled as the result of counter-intelligence and counter-surveillance by the traffickers. For example, when an undercover agent is dealing with Nigerians in drug transactions, that agent will be backed up by six to twelve fellow agents in the vicinity of the transaction. We have had situations, where the Nigerian drug dealers will flood the area with other Nigerians who will walk through the area checking out parked cars, phone booths, etc. for the back up agents. If they suspect that agents are present, they will call off the deal.

Also, when arrests are made, it is common for the Nigerians to come to court to learn the identities of the DEA or FBI agents and memorize what they look like so they can be detected during future transactions.

contribution to law enforcement, and I am grateful for the opportunity you have given me to appear before you today.

TESTIMONY OF MARTIN T. BIEGELMAN
POSTAL INSPECTOR
BEFORE THE SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

September 17, 1986

Mr. Chairman, my name is Martin T. Biegelman and I am a Postal Inspector assigned to the New York division. My area of responsibility includes mail fraud investigations in the New York metropolitan area. Additionally, I am the credit card coordinator and investigate cases involving credit card fraud. I appreciate the opportunity to appear here today to discuss my experiences in investigating crimes against the Postal Service, focusing on a type of fraud which is often committed by individuals who are Nigerian nationals.

My investigations have included cases in which Nigerian nationals have been the principal suspects since 1984. These investigations have resulted in the arrest of 27 Nigerian nationals, one of whom will appear today as a witness. Of my current caseload of 10 cases and the hundreds of individual complaints associated with those cases, roughly 80% involve Nigerian nationals as suspects.

I would like now to address some specific criminal activities in the New York City area which are not limited exclusively to Nigerian perpetrators but which typify the schemes in which Nigerian nationals are heavily involved. I would like to stress that we are not investigating all Nigerian nationals but rather crimes against the Postal Service committed by individuals, an inordinate number of whom turn out to be Nigerian nationals.

Through my research related to my investigations, I have found that individuals from Nigeria are involved, in increasing numbers, in schemes to defraud banks and other governmental and financial institutions. While some of these individuals are committing student loan fraud, check kiting, insurance fraud, drug and gun smuggling and other crimes, by far the most prevalent crime being committed in the New York area involves credit cards. The criminals fraudulently obtain law-abiding individuals' credit and biographical information and submit false applications in these names to banks, department stores, oil companies and other credit card issuing companies. They are quite skillful in obtaining information on other people. They apply for jobs primarily as security guards and night watchmen and to a lesser degree as clerks and porters in major companies. They know that people in prominent professions such as lawyers, stock brokers and doctors have better credit ratings than others. Thus, people in these kinds of employment are targets.

Many major companies and businesses employ security guards to patrol their offices at night. The criminals obtain security guard positions which are generally low paying and hard to fill. I have found that many of the ones I have investigated are employed as security guards in private security in the New York metropolitan area. When assigned to a building at night, these individuals have free reign to patrol the offices. They will go through personnel files, employees' desks and other belongings to obtain names, job titles, social security numbers, home addresses and whatever other personal information is available. This information is readily found in personnel files and on resumes, pay stubs, bills and other materials found in employees' desks. Once armed with this personal information, the criminals use their knowledge of the American credit system to apply for credit cards. They will complete credit card applications and submit them to numerous firms using the names they have found, sometimes up to 30 to 40 applications for each name. They will list the name, employment and social security number on the application. They will list the current home address of the person as a previous address and use a mail receiving agency, post office box or apartment controlled by the false applicant as the current address. The current address associated with the name is used as a previous address to throw off credit bureau inquiries which may list this home address. Generally, the credit bureau believes that the person has recently moved since the addresses match.

While all credit card issuers verify credit card application information, generally this is limited to a credit bureau check of credit history and a check with the applicant's employer. Since the applicant's name and other personal information is correct, the credit check will show this person's credit profile. As I stated previously, these criminals obtain information on people in high scale professions who already have established credit. Thus, the credit check will help approve the application. Additionally, since the person whose name is being used has no idea that his identity has been taken, even a check with the personnel office will do nothing but verify that the person is indeed employed at the business.

The criminals involved in this kind of scheme use legitimate private mail receiving agencies, commonly known as mail drops, where, for a fee, a person can receive mail. More and more mail drops are showing up in check cashers, grocery stores, rental outlets and telephone answering services. While the correct address of the drop may be something like 125 Main Street, Box #5, the criminal will list it on the application as 125 Main Street, Apartment #5 to make it appear that the address is a private residence. The same is done when using a post office box. The street address of the post office is listed and the box number is exchanged for a suite or apartment number on the application.

Once the criminal receives a credit card it is quickly used to the limit of the card for cash advances and high ticket items such as stereos, televisions and VCRs which are easily fenced. Then the card is used for additional purchases under the floor limit of the card. Floor limits are amounts that are used to determine when a merchant must call in for verification of a charge. If the purchases are kept under the floor limit, a fraudulently obtained card can be used for months without detection. I have personally seen false application credit cards issued with a $2,000.00 limit but ultimately have $8,000.00 charged to them due to charges under the floor limit. When the credit card bills are sent to the suspect addresses they are of course ignored. After several months of non-payment, credit card issuers call in collection agencies to attempt collection. When no one is found at the mail drops or apartments, collection agencies go to credit bureau files and check the name and social security number. At this point, the unsuspecting citizen's address is found and that person is contacted. At this point, it is learned that a fraud has taken place. Unfortunately, this can be many months or even a year after the fraud has occurred and chances of locating the suspect then are almost non-existent.

Using this system and variations, criminals receive large numbers of fraudulent application credit cards and charge millions of dollars to these cards. During the course of investigations I have learned that a conservative Mastercard and Visa estimate of over $20,000,000 was lost by banks nationwide in 1985 to false application credit card fraud by Nigerian nationals. One major bank in New York City has reported to me that it lost 1.4 million dollars to this type of credit card fraud in 1985 and expects to lose 2 million dollars in 1986. An official of Mastercard advised me that he believes actual losses are closer to 50 million dollars because many banks mistakenly write off these frauds as bad debt and failure to pay.

My investigations have shown that all of the major credit card issuers in this country have been defrauded by Nigerian nationals based in the New York metropolitan area. The list of victims is impressive. In New York, I have found that these criminals have gained access to employee files of CBS, New York

Telephone, Con Edison, the New York Daily News, Merrill Lynch, and E. F. Hutton. I have found that part of the problem in investigating Nigerians involved in credit card fraud is that while there are some organized gangs, the majority are either loosely knit groups or individuals doing this fraud. For this reason, they are tougher to track down. I have had cooperating Nigerian defendants tell me that they do not want to belong to a group or gang because then they would have to split the proceeds of the fraud. By working individually, they can keep all the proceeds. Besides, this crime is so simple and lucrative. A gang isn't necessary for it to be successful.

I have found that most of these Nigerians come to this country either on student or travel visas. Many stay in this country after their travel visas expire or they drop out of school. I find that many of these Nigerians learn about credit card fraud from other Nigerian individuals already in this country. Thus, with Nigerian teaching Nigerian, the problem grows.

In New York, law enforcement agencies and the banking industry are well aware of the fraudulent application problem. Due to new credit card fraud legislation passed in 1984, the U. S. Secret Service now has primary jurisdiction against some types of credit card fraud. The Inspection Service's authority lies in 18 U.S.C. 1341 and 1342 which include the mailing of fraudulently prepared credit card applications. All of these agencies recently participated in a 1985 task force in New York to investigate false application fraud. This task force consisted of Postal Inspectors, Secret Service agents, New York Police Department Intelligence Bureau detectives and bank investigators from the major banks. The purpose of this task force was to identify those involved in false application fraud, determine the extent of involvement of these individuals and successfully investigate and prosecute them.

One example of the effectiveness of this task force was an operation conducted on November 7, 1985, when simultaneous search warrants were executed at eight safe houses in Brooklyn, NY. We arrested five Nigerian nationals for credit card fraud. In addition the following items were recovered: approximately 100 fraudulent credit cards, dozens of completed and partially completed false applications, numerous phony identification cards including drivers licenses, social security cards, college IDs, birth certificates, W-2 forms and passports, a list of over 1,000 names and respective credit card numbers, a list of CBS employees including name, social security number and other personal information, security guard uniforms, and numerous televisions, stereos, VCRs, radios and answering machines. Additionally, two other Nigerian individuals involved with this gang were subsequently arrested.

Although investigations do enjoy limited successes, I believe the most effective method to fight these abuses is through prevention. I work very closely with the banking and credit card representatives in New York in identifying possible system deficiencies which may make them vulnerable to the types of credit card abuses I have discussed.

Other inspectors and I, in conjunction with the Inspection Services' prevention program, regularly provide fraud prevention training to the industry and the public to further help in combatting this problem.

Once again, I thank you for the opportunity to testify before this subcommittee, and I will be happy to respond to any questions you may have.

Department of Justice

STATEMENT

OF

RICHARD G. PALAK

SPECIAL AGENT OF THE IMMIGRATION AND
NATURALIZATION SERVICE
NEW YORK DISTRICT OFFICE

BEFORE

THE

COMMITTEE ON GOVERNMENT AFFAIRS

SENATE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

CONCERNING

CRIMINAL ACTIVITIES OF NIGERIANS RESIDING IN THE UNITED STATES

SEPTEMBER 17, 1986

PREPARED

STATEMENT BY

RICHARD G. PALAK

SPECIAL AGENT

U.S. IMMIGRATION & NATURALIZATION SERVICE

NEW YORK DISTRICT OFFICE

TO THE

SENATE PERMANENT SUBCOMMITTEE ON

INVESTIGATIONS

Mr. Chairman and Members of the Subcommittee:

My name is Richard G. Palak, and I am a Special Agent currently assigned to the Entitlement Frauds Unit in the U.S. Immigration & Naturalization Service's New York District Office. This unit was formed in 1983 in order to identify illegal aliens who fraudulently apply for and receive government financed program benefits earmarked for United States citizens and permanent resident aliens. I understand that you are specifically interested in my experience regarding the extent of Nigerian nationals involved in criminal activities including student loan fraud and other types of entitlement fraud. I appreciate the opportunity to appear here today to discuss my involvement in these matters.

In February, 1982 an informal task force was established in New York City dealing with illegal aliens who apply for and receive federally guaranteed student loans by claiming to be United States citizens or permanent resident aliens. The task force consisted of one special agent each from the Federal Bureau of Investigation and U.S. Department of Education in addition to myself and INS Special Agent Jerome Coleman.

The FBI and the U.S. Department of Education Inspector General's Office were originally made aware of alien student loan fraud by the New York State Higher Education Services Corporation (NYSHESC). NYSHESC had established a fraud unit in the latter part of 1979 and by the fall of 1980 had identified hundreds of potentially fraudulent student loan applications. Fraud was suspected because of the use of nonexistent social security numbers on the applications. Address matches revealed a significant number of loan applications with foreign sounding names and fraudulent social security numbers also emanating from specific addresses. Multiple applications with similar handwriting in different names at the same address were also uncovered. Lists of potential targets were compiled from these applications. We checked these lists against INS records and determined that a large percentage of the names were illegal aliens.

We first focused on individuls who applied for student loans using multiple names, dates of birth and addresses as well as addresses from which came a large number of student loan applications with names that appeared to be alien. The venue for prosecuting the vast majority of cases was in the Eastern District of New York and to a lesser extent in the Southern District of New York. Most of the individual fraud was less than ten thousand dollars. Because the Southern District placed fewer restrictions on accepting cases our task force set out to establish impact type cases within that venue. Ten unrelated individuals were arrested simultaneously in a task force operation. The ten included five Nigerian nationals, one Kenyan, two Haitians, one Iranian and one from the Island of Dominica. The total fraud amounted to approximately one hundred thousand dollars. All had claimed to be United States citizens or permanent resident aliens to qualify for the loans when, in fact, they were not. Eight were convicted and received sentences ranging from probation and restitution to six months incarceration. Two fled the jurisdiction. One was subsequently rearrested and convicted, and the other remains a fugitive.

A similar impact type investigation was attempted in the Eastern District of New York. "OPERATION HIGH RISE" involved the identification of the tenants of a fifteen story apartment building in Brooklyn, New York. This effort resulted in the identification of forty four illegal aliens of which thirteen were Nigerian nationals who perpetrated student loan fraud. Based on the identification of these individuals, FBI and INS special agents entered fifty five out of a possible one hundred eighty apartments on June 10, 1982. Four of thirteen original arrest warrants were executed and an additional twenty one illegal aliens were placed under deportation proceedings. All except five were Nigerian nationals.

A lot of media attention was generated from these operations resulting in feedback from the public. Informants came forward regarding illegal aliens receiving student financial aid. A number of local colleges requested information on how to identify illegal aliens on their student rolls whom they suspected were obtaining student aid illegally.

While the student loan fraud task force was not established to target any specific nationality, it became clear that most of the student loan fraud being perpetrated in the New York City area was being done by Nigerian nationals who were illegally in the United States. Most of the detected fraud involved Nigerian males but a number of females were detected also.

The typical Nigerian who perpetrated student loan fraud was found to be between twenty and forty years of age. He or she usually entered the United States with nonimmigrant visitor or student visas. Those with visitor visas overstayed the visas or accepted employment, making them deportable from the United States. If they entered the United States with student visas, they would violate their visa status by changing schools without INS permission, accepting unauthorised employment or by overstaying their visas. A significant number of these Nigerians also entered the United States with diplomatic visas, either as employees of the Nigerian Mission to the United Nations or the Nigerian Consulate in New York City. Nigerians who entered the United States in this manner were often found to be carried on the rolls of the Mission and the Consulate but their credentials were never actually presented to the U.S. Department of State. It was discovered that often these individuals never actually worked at the Mission or Consulate. In any event, these individuals were found to be attending local colleges and vocational schools as United States citizens or lawful permanent resident aliens using their true Nigerian names.

Nigerians would support their claim to U.S. citizenship and permanent resident status with the use of counterfeit U. S. birth certificates, usually from the U.S. Virgin Islands, or alien registration cards. These documents would be used to register at school and to apply for financial aid.

Numerous Nigerians arrested for student loan fraud were found in possession of fraudulently obtained credit cards and photo identification cards. The credit cards bore American names and related to actual people whose Social Security numbers, occupations, income and other information were obtained by the Nigerians.

The identification cards are easily obtained in novelty shops in Midtown Manhattan. The identification cards were usually student ID cards or company ID cards. It was not unusual to find ten or more pieces of identification and credit cards relating to a like number of aliases. Applications used to obtain the credit cards contained addresses which turned out to be mail drops.

The Nigerians with which we came in contact were all highly educated but they did not usually accept employment commensurate with their academic credentials. The typical Nigerian will attend classes during the day, and at night will drive a so called gypsy cab or work as a security guard for minimum wage for private security companies. As a security guard the Nigerian has unhindered access to corporate office buildings during times when most office buildings are closed. For example, a large number of Nigerian nationals were arrested in INS sweeps while working as security guards for private security companies under contract to the New York Telephone Company. The Nigerians would be assigned posts in telephone company installations throughout the New York metropolitan area. While in these installations, the Nigerians would obtain the names and social security numbers of contract workers to the Telephone Company. These contract workers would gain access to Telephone Company property by signing in with their names and social security numbers. The Nigerians would take this information, obtain photo identification cards with their own photographs and the obtained information and apply for credit cards using the gleaned information and a mail drop as their address of record.

It was while checking out credit cards seized during the course of arresting Nigerians for student loan fraud that our Task Force became aware of the magnitude of the total Nigerian fraud nation wide. For a number of years investigators employed by banks and major credit lending institutions have identified Nigerian credit card fraud perpetrators and mail drops through painstaking legwork. They have developed cases which have been prosecuted through the auspices of the U.S. Postal Inspection Service, the U.S. Secret Service and local police agencies. I have attended numerous external fraud committee meetings consisting of bank investigators and law enforcement officers. The meetings were invariably dominated by matters relating to Nigerian bank and credit card fraud.

A typical Nigerian arrested for student loan fraud was also found to be in possession of two or three Nigerian passports which did not usually contain U.S. visas. The reason that Nigerians are able to possess multiple Nigerian passports is that there is no birth record keeping system in Nigeria.

Someone purporting to be an individual's immediate relative would appear with that individual at the Nigerian ministry responsible for issuing birth documents. The relative would sign an affidavit attesting to the individual's birth and a birth record would be issued. With this document the Nigerian could now apply for a Nigerian passport and subsequently, a U.S. nonimmigrant visa. Informants have stated that Nigerian passports are readily available on the streets of Lagos, Nigeria. During the course of our investigations we have intercepted personal letters to Nigeria wherein passports are ordered through friends or relatives. The desired name and physical description accompanies the order. It is for this reason that Nigerians are able to return to the United States at will after they have been deported.

In 1982 two Nigerian nationals, FESTUS OLADIMEJI and his wife COMFORT OLADIMEJI were arrested and convicted of applying for and receiving approximately forty thousand dollars in federally guaranteed student loans and grants. INS records indicated that both had overstayed their student visas. Both had received financial aid by supporting a claim as lawful permanent residents with counterfeit alien registration cards of the same stock previously detected in other Nigerian cases. Numerous incriminating documents were seized in their apartment incident to their arrests. The documents included numerous photo identification cards, under various aliases, unemployment benefit records, social security cards, as well as welfare and food stamp identification cards. There was also a counterfeit New York State sales tax exemption card of the type which is normally issued to diplomatic personnel. At the time of his arrest Mr. OLADIMEJI insisted that he was employed as a secretary with the Nigerian Mission to the United Nations. This fact was ultimately confirmed by the U.S. Department of State and the Nigerian Mission. The attempt of the OLADIMEJIS' to change their nonimmigrant student status to nonimmigrant United Nations employee was never formally approved. Representatives from the Nigerian Mission appeared at the INS New York District Office to protest the OLADIMEJIS' arrests and to demand that they be released from INS custody without bond. The representatives also demanded the return of the counterfeit tax exemption card which had been seized. Subsequent investigation revealed that the OLADIMEJIS financed their entire graduate and undergraduate degrees in the United States by applying for and receiving federally guaranteed student loans and grants. In addition to holding his position with the Nigerian Mission since 1978, Mr. OLADIMEJI has at various times been employed for a number of security firms in the New York City Metropolitan area. He was employed at the time of his arrest by MRA Security, Inc.

A management official from MRA Security stated that Mr. OLADIMEJI's duty post at the time of his arrest was at the Nigerian Mission. His employer further stated that Mr. OLADIMEJI was responsible for recruiting approximately seventy other Nigerian nationals for the MRA payroll. At the time of their arrests, the OLADIMEJIS were found to be in receipt of welfare, food stamps, unemployment benefits and tax exemption privileges while continuously being employed by the Nigerian Government. As a result of this investigation, eight Nigerian diplomatic personnel, present and former, were prosecuted and convicted for student loan fraud. Among those convicted was FREDERICK IHONDE, who admitted to being the nephew of the then Nigerian Consul General in Atlanta, Georgia.

The task force dissolved upon the completion of a final impact type investigation in late, 1984. This came about when the U.S. Attorney's Office in the Eastern District, because of priorities, was reluctant to prosecute student loan frauds on any terms. The Southern District also set a threshold of ten thousand dollars per individual fraud. As previously stated, the vast majority of individual fraud cases amounted to less than ten thousand dollars. As a result, the FBI withdrew from the Task Force. The Inspector General's Office of the U.S. Department of Education continued to work student loan fraud cases with INS both on a federal and local level. Ultimately, state and city prosecuting officers were reluctant to prosecute individual frauds. The Inspector General's Office withdrew it's cooperation in early 1986. During its tenure, the Task Force prosecuted fifty three illegal aliens for student loan fraud.

Since the dissolution of the Task Force, INS's Entitlement Fraud Unit of the New York District Office has continued its close relationship with NYSHESC and continues to identify illegal aliens who fraudulently apply for student financial aid. The Unit works closely with other federal, state, and local law enforcement agencies, in attempting to identify illegal aliens and, in particular, illegal Nigerians who are involved in credit card and other types of fraud. If a Nigerian is arrested for credit card fraud for example, a check is made for student loan fraud. If venue can be established, the arrested individual is sometimes charged with that offense as well.

Strict New York State privacy laws make it virtually impossible for the Entitlement Frauds Unit to identify any illegal aliens who are in receipt of welfare, medicaid, food stamps, and unemployment benefits. It is only by convoluted time consuming investigative efforts on our part that we are occasionally successful in this area. A significant number of illegal aliens have been found to be residing in Section 8, HUD housing. However illegal aliens are not precluded from receiving Section 8 benefits so we can only refer cases to HUD offices where we can articulate that a fraudulent housing application, (re income/household composition) had been submitted.

Nigerian informants are very difficult to deveop. In 1983 an informant provided detailed information to the FBI outlining a international network of Nigerian nationals headquartered in Brooklyn, N.Y. The informant called this organization the Nigerian International Students Association with a leader at the head of each of seven families located in seven areas throughout the United States. The organization is mostly involved in credit card fraud but is also involved in check kiting schemes and student loan fraud. The organization has its roots in Nigeria and operated with impugnity because of highly placed connections within the Nigerian Government. Members of the group have been placed as employees in banks with access to sensitive information and computers. At the time that the informant made these allegations, the organization had been in existence for at least five years and had stolen millions of dollars. All subsequent efforts to verify this information were fruitless.

Other than this one instance, no organized structure has ever manifested itself during my experience in dealing with Nigerian fraud schemes. The Nigerians appear to be made up of loosely organized groups which revolve around centers of education. Nigerians spread the word among themselves on how to take advantage of various benefits programs and how to perpetrate fraud schemes. Those who are involved in these schemes are usually from the Yoruba or Ibo tribes. Those born prior to 1960 usually have facial tribal scars. When caught or arrested, they lie about their biographies. They will tell a different story about name, address, marital status, employment history, and nationality to every person who interviews them during the arrest and arraignment process. Many times when Nigerians are arrested their immigration status is complicated because of the involvement in sham marriages to United States citizens.

I believe that the law enforcement community as a whole is aware of the Nigerian fraud problem on a national level. I believe that most are willing to cooperate with one another in dealing with the problem but lack the coordination needed in order to make an impact on the problem. Some agency is necessary to serve as a clearing house to disseminate information and keep track of the whereabouts of individual Nigerians. The courts must learn to recognize the Nigerian fraud schemes as a major problem and mete out harsher sentences. Deportation is not a deterrent because Nigerians are able to return to the United States at will. The ready availability of fraudulent identification documents will enable Nigerians to continue their schemes unchecked. Their overall activities in the United States can be likened to economic terrorism.

Mr. Chairman, this concludes my statement. I hope that I have addressed your interests.

STATEMENT OF STEVE SIMMONS
GEORGIA BUREAU OF INVESTIGATION

Mr. Chairman, I welcome your invitation to testify during this very important series of hearings. As a special agent with the Georgia Bureau of Investigation, I have been assigned for the past eight years to investigate financial crimes across the state of Georgia. I would like to present a brief chronology of specific investigations and then discuss the general characteristics of the Nigerian criminal group.

Early Indications of Nigerian Criminal Activities

The involvement of organized crime groups in financial crimes was detected in Georgia in early 1980 when the search of an apartment used as a safehouse by members of the Black Hebrew Israelite Nation led to the arrest of several Hebrew members and extensive coverage by the media. The main criminal activity of this group was credit card fraud, and media publicity of these arrests resulted in numerous requests for assistance from metro Atlanta banks and retail stores. The subsequent investigation produced a startling revelation: a majority of the suspects eventually identified and arrested were Nigerian nationals.

Most of the Nigerians arrested had entered the United States on student visas. At the time of their arrests, however, these persons were not currently enrolled in school and were in violation of their alien status.

The prevailing opinion of investigators was that the Nigerians engaged in the criminal activity were individual criminals operating for self profit. The basic crimes committed by Nigerians during this time period involved submitting fraudulent credit applications for credit cards, and opening bank accounts in fictitious names and subsequently writing bad checks on the accounts.

In my experience these two crimes (credit cards and bad checks) remain the principal crimes of Nigerians. However, the level of sophistication is much greater today. In 1980 and 1981 a large number of the fraudulent applications submitted to credit card issuing companies were using fictitious Nigerian names. The addresses used on the applications were generally apartments where the Nigerian suspects lived. Investigators could readily identify and arrest those persons responsible for submitting the fraudulent applications. Search warrants executed at the application addresses resulted in the seizures of the fraudulently obtained cards and the merchandise obtained through the use of the card. Handwriting obtained from the suspects was routinely matched to the "questioned" handwriting on the fraudulent applications by handwriting experts. Credit card issuing companies tightened the controls governing the issuance of applications and applications with Nigerian names from high fraud areas. Banks responded by careful investigation and monitoring of checking accounts opened by Nigerians.

In 1983, the Nigerian criminals began using the names of real persons as the applicants on fraudulent credit card applications. These names were obtained from the telephone yellow pages, and the persons whose identities were stolen were professionals -- doctors, lawyers, judges, architects, etc. The extensive use of private mail receiving services (mail drops) by Nigerian criminals was also detected in 1983. The Nigerian criminals submitted fraudulent applications in the names of the professional persons. The present address on the application would be the rental box at the maildrop. The Nigerians placed the true professional's present address in the previous address slot on the fraudulent application. The employment address of the professional would be obtained from the yellow pages and placed in the employment address slot on the application. All other information (social security number, credit references, wife's name, etc.) on the application would be fraudulent. Several credit card issuing companies merely checked the AMA journal or ABA journal for a listing for the professional. The credit card issuing companies then mailed the fraudulently obtained cards to the maildrop.

The Nigerian criminals radically decreased their chances of detection by using maildrops. No longer could the investigator trace the fraudulently obtained cards to the criminal's apartment. The information supplied to the maildrop owner was always fraudulent. The criminals' trail ended at the mail drop unless extended surveillance was established to await the criminal or his agent to come and obtain the mail. The Nigerians also began to use vacant apartments or house addresses to receive mail. Often the Nigerians would use the addresses of neighbors who worked during the day. The Nigerians would then await the postman and break into the neighbor's mail box to take the fraudulently obtained credit cards and other mail. In following this fraud application trail, the investigator comes to a dead end at a vacant apartment or house, or the investigator confronts an innocent party who is in essence a victim of this scheme.

Starting in 1983, once the Nigerians obtained the credit cards, they applied for a drivers license in the name of the professional. In Georgia many Nigerians went to South Carolina to obtain the fraudulent licenses because they could obtain the license on the same day as the application was made. Armed with the false license and credit card, the Nigerians then opened checking accounts at a local bank. The initial deposit was almost always $100 cash. The next two deposits into the checking accounts would be checks made payable to the account name drawn on out of state banks. The Nigerians would test the account to determine if the checks had been credited. When they were credited, the Nigerians would begin writing checks at retail stores. The criminals would generally begin shopping on Friday and continue through Sunday. The criminals were aware that the retail stores could not confirm the checking account balances over the weekend. The two checks deposited would always be returned "insufficient funds" or "account closed."

In 1985, the Nigerians again changed their method of operation. They began to infiltrate legitimate businesses or corrupt employees of legitimate businesses. The prize sought by these criminals is the prize valued by all businesses -- information. Nigerians took jobs as security offices, service station attendants, cleaning people, and credit clerks. They obtained biographical information on real persons by searching through unlocked files during the course of their quasi-legitimate employment. The Nigerians now had the correct credit information -- social security number, salary, number of dependents, etc. -- which they used on the credit application. Maildrops, vacant houses and apartments were still used to receive the fraudulently obtained cards, bills and other mail.

Nigerian Organized Criminal Activity in the Southeast

As the skill of the Nigerian criminals evolved from 1980 to 1986 so did the perception of the investigators monitoring Nigerian criminal activity. Nigerians are now viewed as operating in "cells" rather than operating as individual criminals. This change in perception by law enforcement was crucial because it reflected a need for a change in the investigative techniques employed to detect, arrest and prosecute the Nigerian criminals.

As far back as 1983, reports of a highly structured criminal organization of Nigerians engaged in financial crimes and the importation and distribution of illegal drugs surfaced in the southeastern United States. The media immediately dubbed this group the "Nigerian mafia."

The Georgia Bureau of Investigation and Atlanta Bureau of Police Services initiated an investigation to determine the nature of Nigerian crime in the metro Atlanta area. The investigators identified four different "cells" operating in the metro Atlanta area. In August of 1983 Sgt. Richard Sullivan of the Baton Rouge Sheriff's Department reported that he had arrested a Nigerian who reported that a group of Nigerians living in the United States had organized a criminal organization engaged in credit card fraud, counterfeiting, check fraud and other financial crimes. Sgt. Sullivan said that this suspect reported that this group of Nigerians had divided the United States into geographical areas with a lieutenant controlling the criminal activities within each sector. The suspect reported that the lieutenant for the Southeastern United States lived in Atlanta and drove a Rolls Royce and that Koya Olagbegi worked directly for the lieutenant in Atlanta.

The investigation produced information which revealed that Owalari Olabisi Fawole lived in College Park, Georgia and drove a white Rolls Royce. The ensuing investigation into the activities of Fawole revealed his connection with a major heroin importation and distribution ring centered in Baltimore, Maryland. Fawole's residence in College Park was searched on January 6, 1984, and he was arrested for possession of cocaine. His 1982 Rolls Royce was seized.

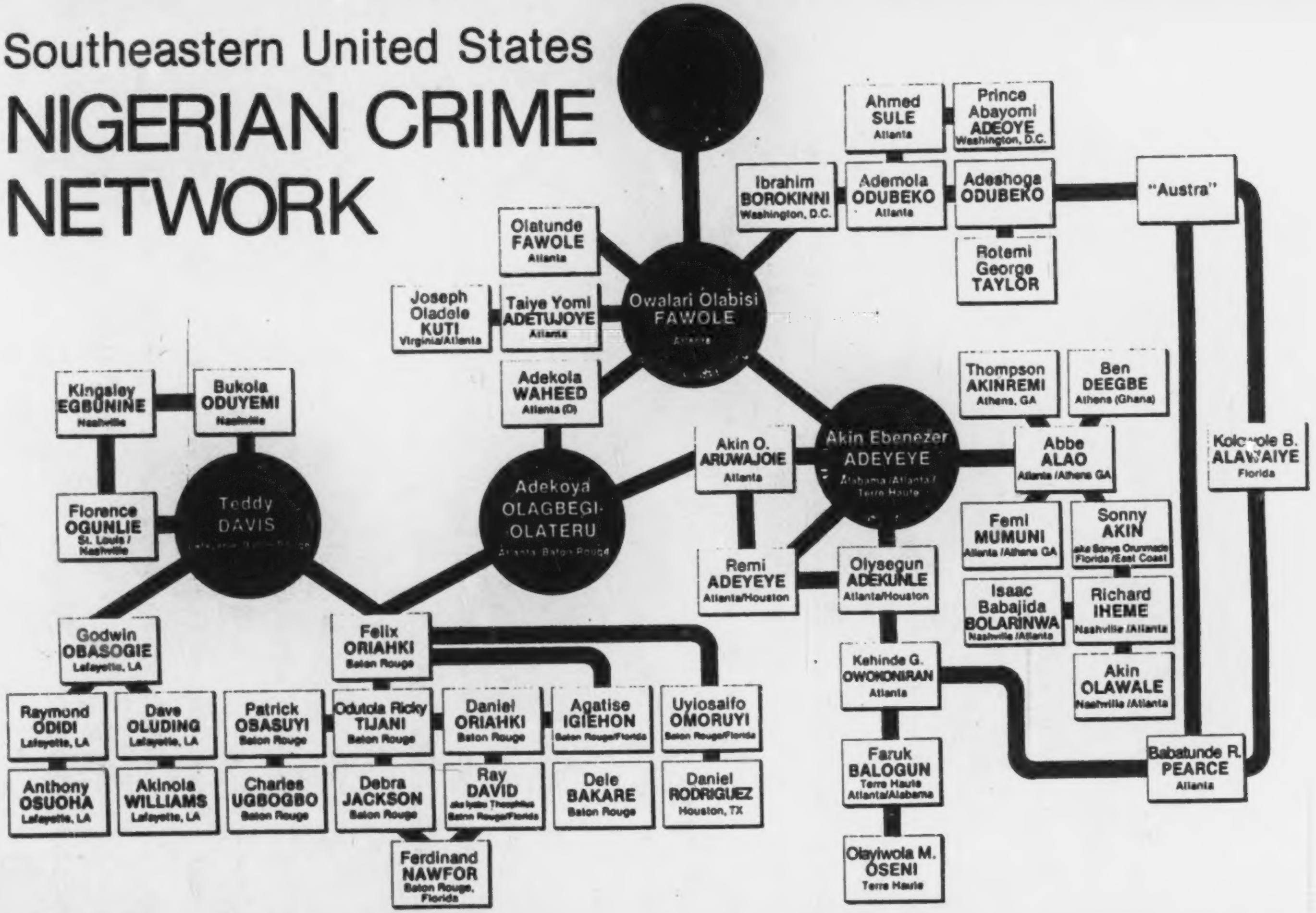
The search also produced two Nigerian passports with Fawole's photograph on each. The name on one passport was Owalari Olabisi Fawole and the name on the other was Babatunde Thomas Alabi. An investigation by the United States Customs Service revealed that Fawole had brought $700,000 into the country under the name of Alabi and Fawole was subsequently indicted in the Eastern District of Virginia for currency violations and was later convicted. In June, 1986, Fawole was convicted of conspiracy to traffic heroin in the Northern District of Georgia. (Fawole was charged in this case while free on bond from the Eastern District of Virginia.)

In another major investigation, Ben Deegbe (Ghanian) and Thompson Akinremi (Nigerian) were arrested in November, 1983 in Walton County, Georgia on credit card charges. Deegbe and Akinremi said they had been recruited to commit credit card by Abbe Alao. Deegbe and Akinremi said Alao travelled from college to college recruiting Nigerians to commit crimes and set up post office boxes to receive the fraudulently obtained cards. In fact, Alao was arrested in late November, 1983 enroute from Georgia College (in Millegeville, Georgia) to the University of Georgia (in Athens, Georgia) by a Georgia state trooper for speeding and driving under the influence. Alao was subsequently convicted on numerous forgery charges and deported to Nigeria.

Deegbe and Akinremi identified a Nigerian known only as "Slim". They reported that Slim brought fraudulently obtained credit cards and checks from Florida to exchange with Alao in Athens. Interviews with other Nigerians in Atlanta confirmed the existence of Slim and his role of travelling the East Coast exchanging cards, checks, and merchandise with Nigerians engaged in criminal activities.

On March 8, 1984, Adekoya Olagbegi was arrested in Atlanta on charges of theft and forgery in Baton Rouge, Louisiana. Olagbegi had been connected to several Nigerians in the metro Atlanta area who were committing financial crimes.

This investigation, which began in 1983, is continuing. As a result of this investigation, it is my opinion that there is a major Nigerian criminal enterprise engaged in financial crimes which is established in the Southeastern United States. The chart on the following page illustrates some of the associations which have been found to exist. The organization consists of the following levels:



Southeastern United States
NIGERIAN CRIME
NETWORK

Owalari Olabisi FAWOLE Atlanta
Olatunde FAWOLE Atlanta
Taiye Yomi ADETUJOYE Atlanta
Joseph Oladele KUTI Virginia/Atlanta
Adekola WAHEED Atlanta (D)
Ibrahim BOROKINNI Washington, D.C.
Ademola ODUBEKO Atlanta
Ahmed SULE Atlanta
Prince Abayomi ADEOYE Washington, D.C.
Adeshoga ODUBEKO
Rotemi George TAYLOR
"Austra"
Kolawole B. ALAWAIYE Florida
Babatunde R. PEARCE Atlanta
Akin Ebenezer ADEYEYE Alabama /Atlanta / Terre Haute
Akin O. ARUWAJOIE Atlanta
Remi ADEYEYE Atlanta/Houston
Olysegun ADEKUNLE Atlanta/Houston
Kehinde G. OWOKONIRAN Atlanta
Faruk BALOGUN Terre Haute Atlanta/Alabama
Olayiwola M. OSENI Terre Haute
Thompson AKINREMI Athens, GA
Ben DEEGBE Athens (Ghana)
Abbe ALAO Atlanta /Athens GA
Femi MUMUNI Atlanta /Athens GA
Sonny AKIN aka Sonya Orunmade Florida /East Coast
Isaac Babajida BOLARINWA Nashville /Atlanta
Richard IHEME Nashville /Atlanta
Akin OLAWALE Nashville /Atlanta
Adekoya OLAGBEGI-OLATERU Atlanta Baton Rouge
Teddy DAVIS Lafayette/Baton Rouge
Kingsley EGBUNINE Nashville
Bukola ODUYEMI Nashville
Florence OGUNLIE St. Louis / Nashville
Godwin OBASOGIE Lafayette, LA
Raymond ODIDI Lafayette, LA
Dave OLUDING Lafayette, LA
Anthony OSUOHA Lafayette, LA
Akinola WILLIAMS Lafayette, LA
Felix ORIAHKI Baton Rouge
Patrick OBASUYI Baton Rouge
Charles UGBOGBO Baton Rouge
Odutola Ricky TIJANI Baton Rouge
Debra JACKSON Baton Rouge
Daniel ORIAHKI Baton Rouge
Ray DAVID aka Iyabo Theophilus Baton Rouge/Florida
Ferdinand NAWFOR Baton Rouge, Florida
Agatise IGIEHON Baton Rouge/Florida
Dele BAKARE Baton Rouge
Uyiosaifo OMORUYI Baton Rouge/Florida
Daniel RODRIGUEZ Houston, TX

(1) Co-ordinator - lieutenant
(2) Recruiter
(3) Cell leader
(4) Soldiers

Evidence is also mounting regarding the existence of a national organization composed of Nigerians engaged in ongoing criminal activities which include the following:

(1) credit card fraud
(2) bank fraud
(3) insurance fraud
(4) fraud perpetrated against the government
(5) fraud perpetrated against utilities
(6) fraud perpetrated against airlines
(7) importation and distribution of heroin and cocaine

Investigators in Los Angeles and Miami have identified similar organizations within their jurisdictions.

What are the indicators of organization? The best source of information on organizations comes from the statements of conspirators. These statements must be confirmed by independent investigation by law enforcement officers. However, all across the United States law enforcement officials are receiving statements from Nigerians which reference the existence of a major criminal enterprise composed of Nigerians. Some Nigerians have reported being trained in financial crimes prior to leaving

Nigeria. "Lesson plans" outlining the procedures for credit card and check fraud have been seized in searches of Nigerian residences or safe houses. Conspirators and witnesses have also described a hierarchy within groups and a delineation of job responsibilities.

Communication between criminal cells is an indication of organization. Among Nigerians, this communication occurs by phone, mail, telegram, computer messages, or courier. Investigations have revealed that much of this communication concerns criminal activity. For instance, checks drawn on out of state banks are deposited daily in Atlanta banks. The checks are drawn on accounts opened by Nigerians in other cities, most commonly Houston, Miami, St. Louis, and Nashville. An examination of seized telephone toll records and telephone address books indicate routine contact between criminal cell groups throughout the United States. Mail has been seized during the execution of search warrants containing credit cards, checks and statements regarding criminal activity. Investigators have arrested several persons who have been identified as couriers ("Slim"). These persons travel from city to city exchanging credit cards, checks, identification and information.

The documentation of identical criminal schemes throughout the United States is also evidence of organized criminal activity. The Nigerian method of operation is consistent from city to city and reflects a highly established communications network. The checking account scheme is a good example. A review of several dozen fraudulent accounts established by Nigerians revealed that the initial deposit was $100 cash. The next two deposits would be checks drawn on out of state banks in amounts ranging from $1000 to $8000. This scheme is still being used in Atlanta, Houston, Dallas, Miami, Los Angeles, Kansas City, New Orleans and other cities. The checks used in these schemes is further evidence of a highly established communications network.

A concentrated effort by Nigerians to infiltrate legitimate businesses or corrupt employees of legitimate businesses has emerged as a high priority for the criminal cells. The purpose of this infiltration and corruption is not only to obtain information and documents necessary to commit financial crimes, but also a realization by criminal members that an ongoing criminal enterprise requires constant information regarding the changes created by technological advances, marketing decisions or government rules and regulations. The strategic placement of personnel reflects a commitment to continued criminal conduct by the criminal enterprise.

Surveillance of Nigerian criminal operations has revealed persons in positions of authority giving orders, and providing credit cards and identification cards prior to shopping at malls. The cell members have been observed bringing the cards and identification documents back to the leader along with the fraudulently obtained items. Further, confidential sources and conspirators have given statements referencing payments made to persons of higher rank in the criminal cell.

A crucial element of an organized crime group is a form of internal discipline which allows the group to avoid detection and continue as an ongoing criminal enterprise. Threats and intimidation have been most commonly used against members who exhibit an inclination to co-operate with law enforcement officials or competitors who seek to intrude upon the group's turf. Regarding Nigerians, these threats are normally directed toward family members still in Nigeria rather than the suspected informant. Restricting cell membership to blood relatives or members of the same tribe establishes a high degree of loyalty. These tactics have proven successful at preventing defections because members who have been arrested have not faced any severe criminal penalties. The members arrested are often charged with misdemeanors or low level felonies. Cell members can easily arrange bond for jailed members. The jailed member assumes a new identity and continues his criminal activity.

However, in areas where the criminal justice system has recognized that the Nigerians arrested are part of an ongoing criminal enterprise, the courts have imposed significant jail time. The level of violence involving Nigerians has also increased. Nigerians have assaulted police officers in Los

Angeles and have attempted to escape after judges set high bonds for arrested members.

Other Nigerian Criminal Activities

A number of organized crime groups, including Nigerians, have entered the financial crime arena since the late 70's.

Each of these groups has recognized the enormous profits to be realized from financial crime. Group leaders realized that law enforcement efforts against financial criminals were sporadic and disjointed. There was little likelihood of detection and prosecution and only token sentences upon conviction.

The entry of these groups into financial crime is directly related to dramatic increases in losses by financial institutions. In 1977 credit cards losses totalled $37 million; in 1985 credit card losses had risen to $500 million. Nigerians have emerged as the largest single group engaged in financial crime today. Submitting fraudulent applications to credit card institutions remains the basic crime of Nigerians. However, recent investigations reflect a trend of credit card criminals moving to trafficking in heroin and cocaine. Nigerians who have a past history of credit card arrests are now driving cocaine to Atlanta from Miami. The Georgia State Patrol has made several arrests of Nigerians on profile stops coming north on interstate

75 from Florida. Large amounts of cocaine have been seized from these arrests.

Insurance fraud and student loan fraud rank behind credit card fraud and check fraud as criminal activities of Nigerian crime groups. The two types of insurance fraud most commonly committed are life insurance fraud and staged accident claims. In life insurance fraud the suspect applies for a life insurance policy in a fictitious name or the name of a co-conspirator. The suspect is listed as the beneficiary. Multiple policies may be acquired by using different insurance companies.

The accidental death option is always exercised by the suspects. Sometime after the effective date of the policy a death claim is filed by the beneficiary (suspect). In the most common scenario the insured is reported to have died in an accident while on a business trip to Nigeria. The appropriate documents are filed with the insurance company including death certificate, burial certificate, obituary, funeral bill, and a newspaper article describing the circumstances surrounding the accident. An examination of the documents submitted to the insurance company proves them to be forgeries. This scheme was so successful that enterprising Nigerians created what is commonly referred to as the Nigerian death kit. This kit was complete with instructions and the forged documents necessary to complete the scheme.

This scheme has been successful for various reasons. The insured (real or fictitous) is a citizen of Nigeria. In order to prove the insured's existence or death inquiries will have to be made in Nigeria. There is very little communication among insurance companies regarding criminal intelligence. In many cases there is no personal contact between the insured and the insurer. There is often no attempt made to confirm the information on the policy. However, the insurance industry has recently responded to the large losses by establishing special investigative squads and developing a more formal relationship with law enforcement.

In the staged automobile scheme the suspect insures his vehicle with multiple insurance companies. After the effective date of the policy the insured files a claim alleging that he was run off the road by an unknown vehicle. The suspect has the car appraised as directed by each insurance company. Once the company receives the appraisal payment is made to the suspect. The damage to the car is often deliberate damage executed by the suspect, and often damage incurred prior to the policy being issued. In essence the suspect collect payments from multiple insurance companies for the same damage, which he deliberatedly caused.

In another staged accident scheme the drivers and passengers of two vehicles agree to cause or stage an accident between themselves at particular time and location. The accident is reported to the police and the responding officer writes an accident report. One driver admits fault in the accident. Both drivers and all passengers claim personal injuries and all parties visit chiropractors and retain attorneys. The chiropractors submit medical bills and certify the suspects unfit to work. Lost wages, medical bills, tort damages and vehicle repair costs are paid by the insurance company. At a later date another accident will be staged and the other driver will admit fault and another insurance company will suffer the losses. The same vehicles may be used for numerous accidents. The names of the criminal participants will change in each instance.

These schemes are successful again because of no communication among insurance companies. The use of doctors, chiropractors, and attorneys as willing participants or on some occasions unknowing persons add a degree of credibility or authenticity. The avoidance of civil litigation places emphasis on expedient resolution of claims unless there is a preponderance of evidence indicating fraud.

Student loan fraud is also emerging as a significant criminal activity for Nigerians. Student loan fraud, as all other schemes, begins with the creation of a false identity. An application for admission is completed to a college, often chiropractic colleges, community colleges and junior colleges. The college issues a letter of acceptance to the suspect. The suspect applies for a student loan at a local bank by offering his letter of acceptance. The bank approves the loan and gives the loan amount to the suspect. The suspect never attends college and never repays the money.

The Response Of Law Enforcement

The law enforcement response towards Nigerians fits the historical pattern of response by law enforcement. Individual investigators (police and private) and prosecutors have directed efforts at local offenders. Those persons identified and arrested have normally been the lowest level violators. Several attempts have been made to establish a comprehensive imaginative program on a national level. Each attempt has failed due to lack of cooperation and support from police officials, prosecutors and judges.

The entrance of the Secret Service into the credit card arena is the most significant development in the attack on financial crime. However, one of the Secret Service drawbacks is their high manpower requirements for protection details which often leave ongoing credit card investigations at a stand still. Also, the Secret Service's primary jurisdiction is credit card fraud and not other financial crimes-Nigerian fraud crosses the spectrum of financial crime. However, a dramatic impact has already been made by Secret Service credit card investigations.

Nigerians and the other emerging organized crime groups (quasi-religious, violent extremists, street gangs, and other aliens) pose peculiar problems for law enforcement. These problems include the following:

1) the lenient treatment of white collar criminals by the criminal justice system
2) the use of mind control for recruitment and criminal purposes
3) cultural differences
4) the use of numerous aliases and fraudulent documents
5) language, dialect code and slang
6) infiltration of legitimate businesses
7) corruption of employees and members of the criminal justice system
8) high mobility through multiple jurisdictions
9) low numbers of Immigration and Naturalization Agents

A comprehensive and imaginative program must be formulated that addresses each of the challenges outlined above. Traditional law enforcement techniques are not adequate. The use of sting operations, electronic surveillance, multi-agency task forces, and a central intelligence system are essential to any effective solution. The current law enforcement efforts against La Cosa Nostra had its beginnings in the Kefauver hearings in 1951. Today may signal the beginning of a systematic attack on other emerging organized crime groups.

STATEMENT
OF
JOHN MCKENNA

I am a detective with the San Francisco Police Department where I have worked for the last 29 years. I have been a member of the Asian Gang Task Force since it was started in 1977; and since 1981, I have been the officer in charge. That Gang Task Force is currently comprised of 14 active members and has been in operation since 1977. The Task Force was formed in response to growing violence in the Asian community.

Since 1977, I have spent a considerable amount of time reading about and traveling in the Far East. I have met with law enforcement officers of Hong Kong, Taiwan, Japan, Singapore and Thailand. I have learned that since the 17th Century, the Chinese have formed "Triads," or criminal organizations. The word "triad" comes from the sacred symbol of the society, a triangle enclosing a secret sign.

Historical Perspective on the Hong Kong Triads and Tongs

The Triads were formed as part of an underground political revolutionary movement with the avowed purpose of overthrowing a ruling dynasty. The organization became complicated. The members communicated by code, with certain gestures having special meaning; and they were required to undergo an initiation ceremony and take 36 oaths of loyalty. These lodges penetrated throughout China, and many members fled or immigrated to other parts of the world.

In Hong Kong, the Triads are illegal but very powerful organizations which operate like the La Cosa Nostra does in our country. They were first made illegal in 1845 by an anti-Triad ordinance (only three years after the island was ceded to Britain in 1842). They are powerful in Hong Kong, because they either own and run businesses or extort money from those who do. For example, they control night club operations and the houses of prostitution. They extort money from the construction industry, petty cabs, gambling houses, etc.

I am told by Hong Kong authorities that there are about 80,000 Triad members today, or perhaps as many as one out of every six citizens.

Their influence is very significant. Indeed, the Royal Hong Kong Police have arrested and charged their own officers in the past for corruption problems surrounding Triad activities. The situation in that Crown Colony became so confused that an organization called "The Independent Commission Against Corruption" was formed in the early 1970s and a large number of public officials, civil servants and police were indicted on corruption charges.

Let me paraphrase from an article in the South China Morning Post, dated April 27, 1986. The Triads seem to have evolved into four groups. (This is significant because, as I will discuss later, these groups are very much like those that exist in this country.)

First, there are the most powerful, influential leaders. They are largely engaged in legal enterprises (e.g. various entertainment establishments) with money gained from illegal activities. Second, there is a class of professionals. They threaten local shopkeepers and extort money from small businesses. In certain sections of Hong Kong, you don't do business if you don't contribute to the Triads. Third, there are the street gangs made up of teenagers who commit street crimes -- muggings, violence to members of other gangs. Fourth, there is the group of school-age youngsters who bully and blackmail other students with threats of Triad power. The members of these various groups move up the ranks. They start out at the bottom as young punks and graduate into big-time businessmen.

Chinese Gangs in San Francisco Today

Let me say briefly that until the 1960s, the Chinese communities in San Francisco and elsewhere were largely peaceful places. Then, with a large influx of Chinese during the '60s, young hoodlums who were mostly new immigrants would terrorize the local communities. They would eat in restaurants and refuse to pay, and they would bargain and take over other entertainment facilities like movie houses or theatres. Their power and meanness were their admission tickets.

In San Francisco, as in Chinatowns throughout the country, gangs were sufficiently developed by the early '70s that they began to fight for turf. Between 1967 and 1977, there were close to 50 homicides and many more shootings and beatings in San Francisco's Chinatown -- gun battles on public streets. Eventually, one of the gangs, the Wah Ching, overpowered the other groups and, to this day, runs criminal enterprises in San Francisco's Chinatown.

On September 4, 1977, one gang, the Cheung Ching Yee, sent a group into the Golden Dragon Restaurant in Chinatown. The restaurant was packed with regular customers as well as members of the Wah Ching and the Hop Sing Tong Boys, two rival gangs. A five-man assault team drove to the restaurant. Three armed young men, equipped with an automatic weapon, a handgun and two shotguns, entered. In a period of approximately 90 seconds, a number of rounds were fired leaving five innocent people dead and 11 seriously wounded. One of the victims bore a remarkable likeness to one of the Wah Ching. Because of this, he was brutally gunned down, and the killer then stood over him and fired more rounds into his body. A female companion was shot 11 times with a .45 caliber weapon. Miraculously, she survived, but still bears scars. Two of the innocent dead were young honor high school graduates.

This incident traumatized the mostly law-abiding, Chinese community. It engendered an aura of fear, and a number of tourist-oriented businesses failed. I might add San Francisco wasn't the only Chinese community to erupt into violence. New York City has had several similar type shootings. Seattle, Washington suffered the Wha Mei Massacre where 11 elderly Chinese were tied and shot to death. Los Angeles recently lost an officer who intercepted an armed robbery by a gang. Houston, Texas; Chicago, Illinois; Toronto, Vancouver, and Calgary are slowly becoming aware of a growing Asian crime menace. Strange names, Wah Ching, Yau Lai, Cheung Ching Yee, Flying Dragons, Hung Mun, Red Guard, on and on become part of the lexicon of police parlance.

After the Golden Dragon homicides, the city government got scared. It recognized that the gangs were trouble, and it wondered about the tongs.

Let me briefly explain tongs. Tongs are civic organizations which developed in the United States around 1849, during the gold rush, in response to very bad treatment in this country. The word means "hall" or "meeting place." Men would gather there. Initially, these tongs offered shelter and companionship. Later, they became structured organizations, with elected officials, that wielded power in the Chinese community. They evolved into sort of benevolent organizations and operated like a local, unofficial government. Officers settle disputes among the Chinese, or represent Chinese against Americans or in connection with the official local government. No one understood what these tongs were, so no one bothered with them.

Today, in San Francisco, there are five major Tongs. The leaders are relatively important members of the community and often run lucrative businesses. Some of the individuals have used the tongs as shelters for illegal drug trafficking (heroin). For example, an officer in the Hop Sing Tong was convicted of sale of heroin. But I don't think it would be fair to say that the tongs are criminal enterprises, only that some of their members are criminals.

San Francisco's Response

Within a week of the Golden Dragon incident, San Francisco set up the Asian Gang Task Force. We recognized that we had significant problems: we didn't understand the language (there weren't many Asians on the force at the time, though there are now); the members of the community were afraid to talk to the police because of what they thought the criminals would do to them and also because of a historic fear of police. Remember, these people came from China and Hong Kong.

Slowly, the Task Force began to do its work. We sent plain-clothed officers into the community, and we prepared literature in English and Cantonese (and in later years, Vietnamese) and invited cooperation. Eventually, we got some members of the community to tell us about the crimes and the criminals. We also developed a repository of information so we could do the simple things -- like identify the suspects.

I am pleased to say that whereas there were 50 murders between 1967 and 1977, there have only been five since 1977. (We convicted the murderers in three of those cases, and all were gang members.) Of course, we won't be really successful until there are no murders. But overall the Task Force has really had an impact on crime in San Francisco. Before the Task Force was set up, no one in the Chinese community actually complained to the police. We heard rumors, but no reports. The first year, we received fewer than 10 reports of extortion. This was a break-through -- simply getting people to talk to us and come to court. The second year, we received 12 or 13 reports. In 1984, there were 47 reports, all resulting in convictions of the perpetrators. Last year, 1985, the number of extortion reports diminished to 28. So, you see the Asian Gang Task Force is having an impact.

Let me explain what I have come to mean by "gang;" because I know that different people and in particular, the federal authorities, define gang differently. The American Heritage dictionary defines gang as a group of people who band together. I would add that a gang is a group with antisocial aims, involving people of similar socio-economic, family and criminal backgrounds. This group is like an extended family and may have either a limited or advanced pattern of organization, and the members have the same goals and objectives which they pursue through the perpetration of violence and other malicious mischief that is generally considered criminal behavior.

Today, in San Francisco, there are four Chinese gangs, though only one exercises any significant power over the community, the Wah Ching. It is impossible to provide an accurate head count; but we know, because of our contacts and presence in the community, that there are more than 200 gang members.

Now I said the Wah Ching is the group that exercises significant power. Let me explain how. The Wah Ching members seem to cluster into groups similar to those I mentioned that exist in Hong Kong today. There are the street kids, loosely organized and bullying others. Then they graduate to the cell-like unit. (Attached to my testimony is a chart of the structure of the cell.) It looks very much like the chart of the Triad Branch Society in Hong Kong (another chart attached to my testimony). Also attached is a chart of the Triad headquarters structure, so one can see how similar the Hong Kong and U.S. groups actually are.

This second group is controlled by others who have graduated from the cells. They are designated to extort money from the local shopkeepers. Starting in the late '70s, and increasing in the early '80s, the Wah Ching selected Vietnamese youngsters of Chinese descent to do the kind of street-level, strong-arm work that the Chinese used to do for themselves. Eventually, the Wah Ching began to take a percentage of business profits. No gambling house operated without paying a percentage to the Wah Ching. They also often rob the winners on their way home. The third group is the professional one, engaged in the gambling establishments, prostitution and other businesses. The gambling places are both legal and illegal. The games of choice are pai gow (a game played with tiles), card games and dice. Last, there are the leaders, who take the ill-gotten gains and invest in and operate all kinds of legitimate businesses. (It seems like a large number are involved in the entertainment industry.)

My Predictions and Recommendations for the Future

For a number of years, Hong Kong authorities ignored the Triads; they dismissed the problem hoping it would go away. This head-in-the-sand approach was exposed with the 1985 80-page government report admitting that the government had seriously underestimated the problem and that it was costing millions of dollars yearly. It almost conceded that the situation is beyond repair.

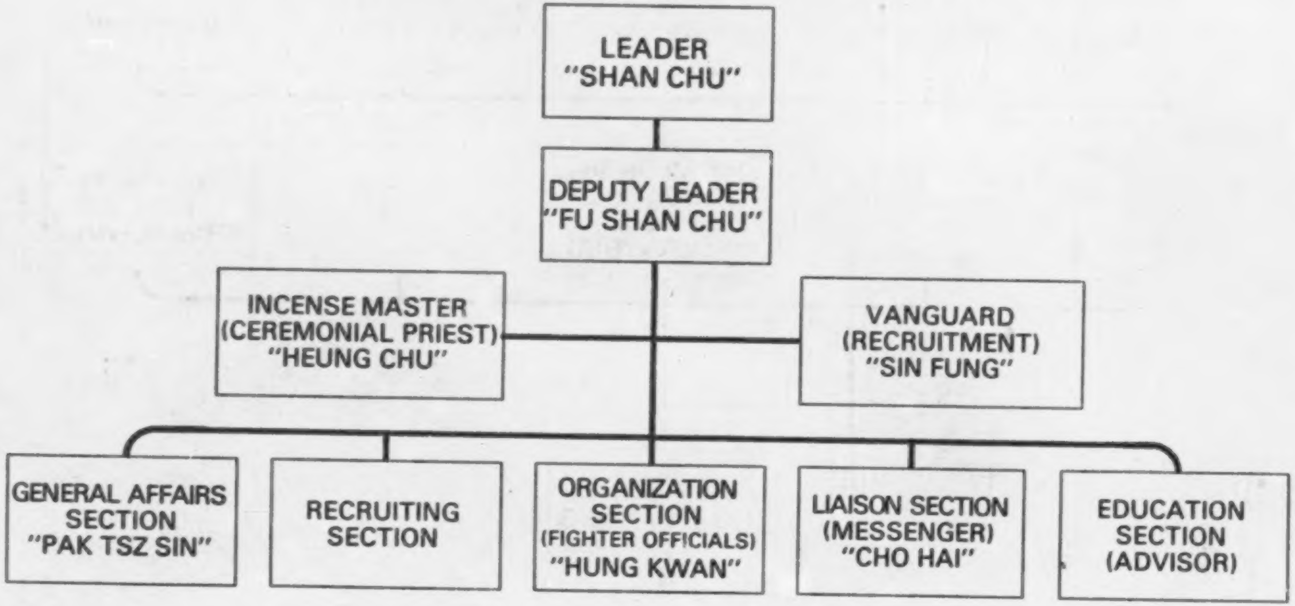
I disagree with that description, but I think we cannot ignore the problem in this count. With education, innovative tactics and national and international cooperation, we can stop these criminal groups before they become as sophisticated and powerful as La Cosa Nostra.

There's no question there's a problem. In 1997, Hong Kong becomes a Chinese property. Some of the strong Triad members there have been seen meeting with Wah Ching and other American gang leaders, both in Hong Kong and here. We have even seen the Wah Ching acting as bodyguards and escorts for Hong Kong and other entertainers from the Far East.

It makes sense to keep in mind the following facts: (1) there are powerful Triads in Hong Kong (about 80,000 I am told); (2) they have a good reason to leave -- fear of the Peoples' Republic; and there are similar gangs in place in this country. That's a recipe for trouble.

But we can prepare. We can establish better cooperation, both inside this country and with other nations. We need to set up a single repository of information on suspects in this country. We also need to find a better way to get international cooperation. Of course, we need more money and more resources so we can better share the information that we've been able to acquire.

A TRIAD HEADQUARTER STRUCTURE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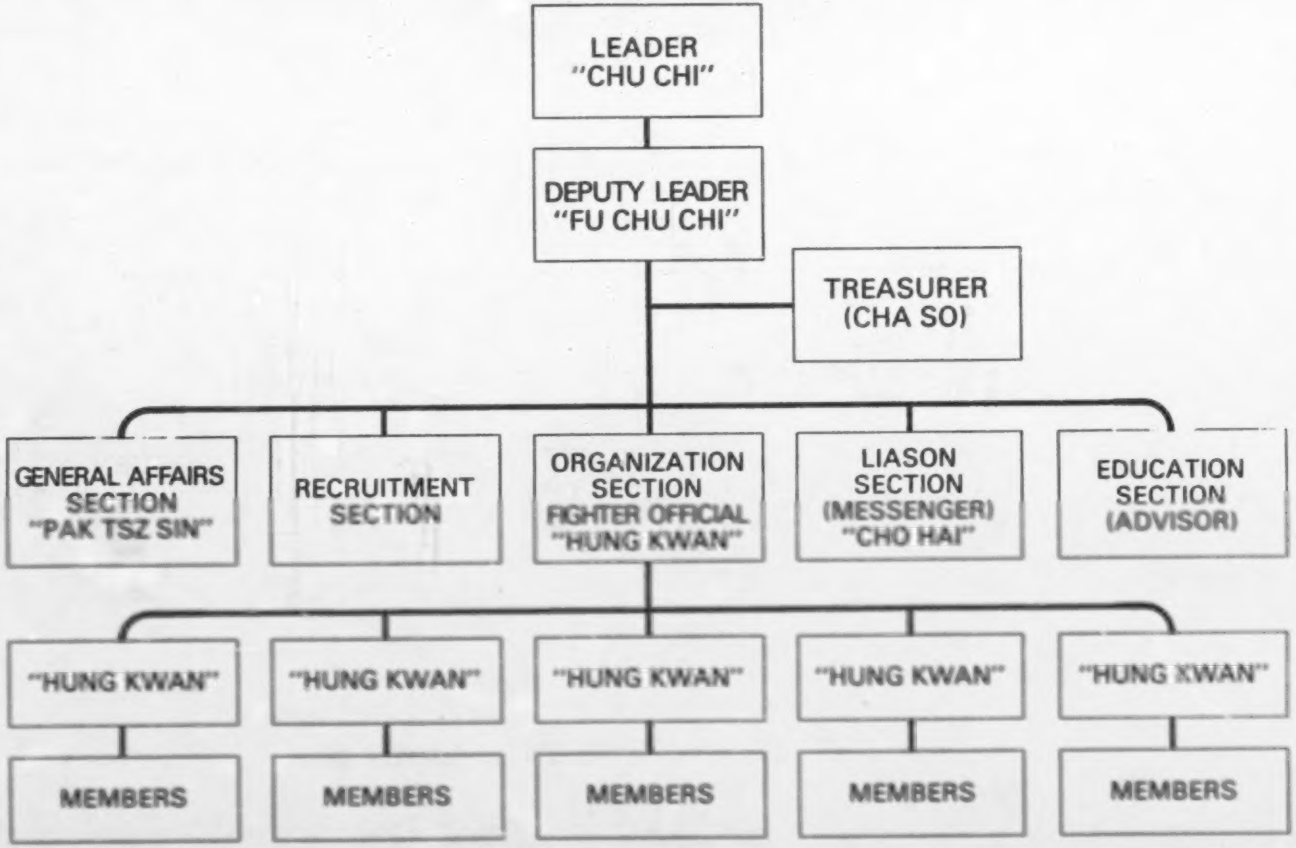
(RECRUITMENT)
"SIN FUNG"
GENERAL AFFAIRS
SECTION
"PAK TSZ SIN"
RECRUITING
SECTION
ORGANIZATION
SECTION
(FIGHTER OFFICIALS)
"HUNG KWAN"
LIAISON SECTION
(MESSENGER)
"CHO HAI"
EDUCATION
SECTION
(ADVISOR)

TRIAD BRANCH SOCIETY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RECRUITMENT SECTION
ORGANIZATION SECTION FIGHTER OFFICIAL "HUNG KWAN"
LIASON SECTION (MESSENGER) "CHO HAI"
EDUCATION SECTION (ADVISOR)
"HUNG KWAN"
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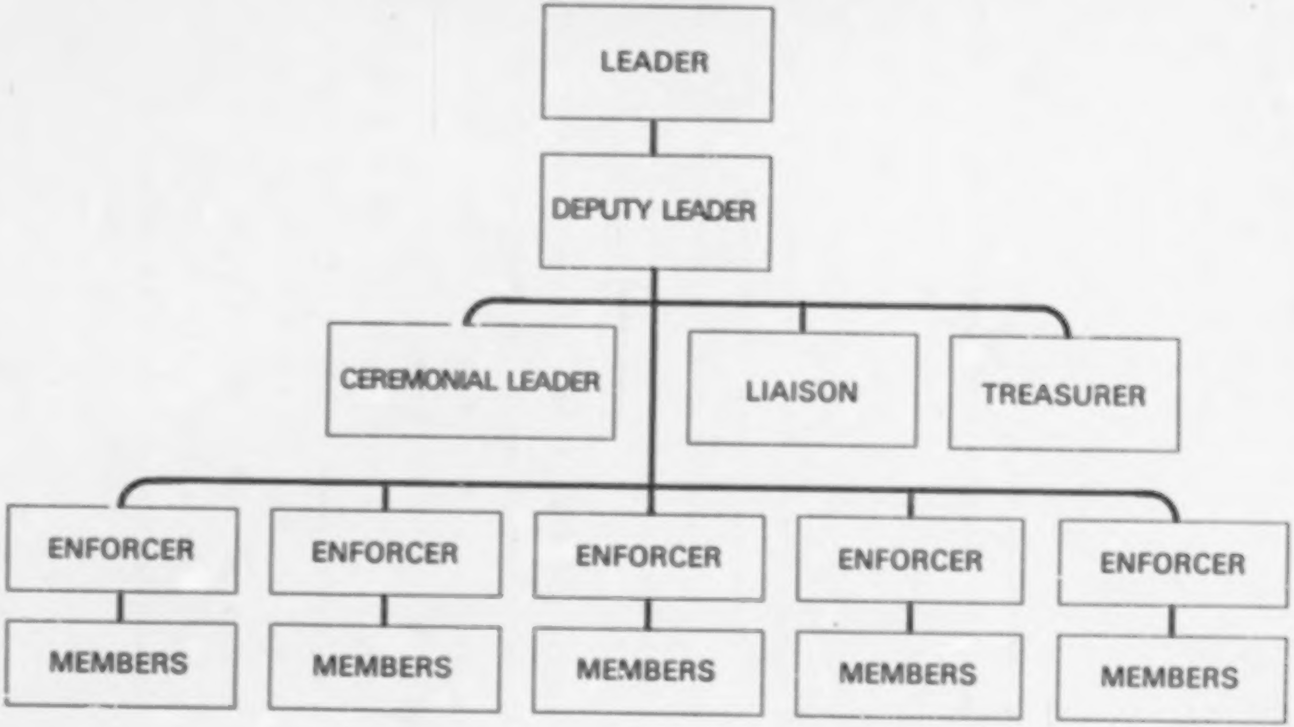
CHINESE STREET GANG, *WAH CHING*
(California)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STATEMENT

OF

JAMES R. BADEY

Mr. Chairman, I thank you for the opportunity to testify today before the Senate Permanent Subcommittee on Investigations. I have been employed by the Arlington County, Virginia Police Department for the past 18 years, the last three of which I have worked in the Vietnamese community. As a United States Marine, I toured Vietnam in 1964 and 1965. I would like to preface my remarks on Vietnamese criminal activity with the statement that this is not a condemnation of all Vietnamese. I am talking about the minority who are engaged in criminal activity.

During the summer of 1983, I was assigned to work in "Little Saigon," which is what we call the Vietnamese business district in Arlington County, after shooting incidents on two consective weekends. During the incidents, approximately 15 Vietnamese males, aged 16 to 22, were engaged in fighting; I mean gun fighting. Several were injured, but fortunately there were no fatalities. In the end, 10 were arrested; and several handguns, meat cleavers and large knives were seized. The press played this as a turf battle, though I believe it was simply young hoodlums engaged in crime. In any event, as a result of the publicity, I was assigned to the Vietnamese community and specifically told to investigate and determine the existence of Vietnamese youth gangs. I was then, and remain now, the only officer with this arrangement.

I made an effort to let the community know I was there to help them. I met with local Vietnamese community leaders and businessmen, took out ads in local papers and tried to remain visible. Once people in the community became familiar with my presence, they began to trust me with information.

In the performance of my assignment to investigate Asian matters, I am in constant communication with my counterparts in other Asian communities around the country. I frequently provide and receive information about Vietnamese criminal activities from the following cities: San Jose, Westminster, Boston, New Orleans, Houston, Portland, Philadelphia and New York City. I also contact law enforcement agencies in Canada and Australia, which also have significant Vietnamese criminal problems very much like those I will describe.

The Vietnamese business district lies in a two-block area in the County of Arlington and consists of approximately 25 Vietnamese-owned businesses (restaurants, grocery, jewelry and other stores). Vietnamese from all over the Washington metropolitan area frequent this Vietnamese commercial center, which sometimes numbers 10,000 on weekends. Most of the

Vietnamese live outside of Arlington. I estimate that 25,000 Vietnamese refugees reside in this area, including northern Virginia; the District of Columbia; and Montgomery County, Maryland.

I said I am supposed to investigate gangs. The use of the word "gang" has a different connotation depending upon your perspective. As a law enforcement officer, I define "gang" as a group that has an accepted leader, power to enforce discipline upon its members, and a definitive geographical territory under its control ("turf"). Applying this definition and from the evidence I have seen, I do not believe that there are Vietnamese gangs at this time. However, there are Vietnamese criminal groups which I predict will mature into gangs. I will describe two general types of Vietnamese criminal groups, which I refer to as the "roving bands" and the "local informal groups."

The roving bands travel from one Vietnamese community to another throughout the United States committing serious and dangerous crimes. They have no names and no permanent leader. Their membership is very fluid, and there is no group loyalty. As they travel, some members drop out and go their separate ways while new members join the band. Cities that are plagued by their criminal activity are San Jose, Westminster, Garden Grove, Monterrey Park, Houston, New Orleans, the Washington metropolitan area, Philadelphia, Boston, Chicago, and Portland. Members of these bands are usually male, ranging in age from 16 to 25, and travel in bands of three to 10. They have few language skills, little or no job skills, and often have no nuclear family in this country.

They commit a series of crimes, such as home-invasion robberies, commercial robberies and automobile burglaries and thefts. In home-invasion robberies, the modus operandi is similar throughout the country. The band will follow a Vietnamese merchant home or go directly to his home, force their way into the front door, tie up and often blindfold the occupants, pistol-whip and terrorize them, ransack the house, and take cash (or even food stamps), jewelry, and sometimes the victim's automobile. They are invariably armed with handguns, shotguns, or rifles.

Breaking into automobiles, particularly Toyotas and early-model Datsuns, is another common crime committed by these traveling Vietnamese criminal groups. According to my counterparts in San Jose and Westminster, hundreds of Toyotas were broken into, and the stereos removed by Vietnamese in 1985 alone. I have brought with me today a special device used to break into Toyotas and Datsuns which was confiscated by a Westminster police officer from a Vietnamese. Law enforcement authorities in other Vietnamese communities, including myself, also report these occurrences.

Law enforcement has a difficult problem in identifying these Vietnamese roving band members when they are apprehended. They often have multiple identifications with different names and dates of birth. Adults often claim to be juveniles, taking advantage of the more lenient juvenile justice system. Since they have no roots, verification of identity, address and age is difficult.

To illustrate the mobility and fluid membership of the Vietnamese roving bands, as well as the types of crimes they commit, the weapons they use, the profile of the criminal and their victims, and local law enforcement's problems and response, I will describe a series of crimes committed by these roving bands across the country from January, 1985 to March, 1986. For easier comprehension, I will assign a letter to each Vietnamese criminal group member rather than use names. (A chart showing what I will describe is attached to my testimony.)

On January 30, 1985, in New Orleans, Louisiana, five Vietnamese males (A-E), ages ranging from 18 to 22, from various cities in southern California, committed two armed robberies and aggravated assaults. One robbery was of a grocery store and the other of a residence. In both cases, the victims were Vietnamese and were pistol-whipped.

Six days later, on February 5, 1985, in Houston, Texas, the same five Vietnamese males (A-E), along with three other

Vietnamese males (F,G,H) of similar age and from southern California, were apprehended while stealing the stereo from a Toyota Celica. Upon apprehension, those same eight Vietnamese described already (A-H) possessed four handguns, two of which were stolen from Louisiana and California.

Until a Houston police officer assigned to handle Asian matters contacted his counterpart in New Orleans, he did not know that A-E (the first 5) were wanted by New Orleans authorities or that the van A-H were driving was stolen in the New Orleans robbery but not reported by the Vietnamese victim.

I apprehended, in Arlington, Virginia, two from the first group (C and D) and another 19-year-old Vietnamese male (I), who were living with a local Vietnamese hoodlum, in connection with a stolen car (a Datsun). In this case, the stolen car had a Texas tag, a Louisiana inspection sticker, and a Toyota radio and speakers hooked up in it. Meanwhile, A, B and E (of the original five) were being detained in Fairfax County, Virginia jail on the New Orleans warrants.

Leaving together from northern Virginia, C, G, I and a 17-year-old (J) arrived at Rapid City, South Dakota, a stop along the east-west thoroughfare, Interstate 90, on April 1, 1985. Three hours after J was caught shoplifting, C, G and I ate expensive dinners at a Chinese restaurant and robbed it, armed with three handguns.

On July, 21, 1985 in Vancouver, Washington, 11 Vietnamese -- 10 males and one female, ages 15 to 20, shot into a Vietnamese residence and stole radios from the victim's vehicles. C (again from the original group) was convicted as the triggerman in the shooting. Of these 11 suspects, four were Vietnamese males (K-N), who together had departed from northern Virginia just a few days before and met C and the other suspects (P-T) in Portland, Oregon. Vancouver authorities discovered that C was wanted on the New Orleans armed robbery when they called me for help in identifying the suspects.

To complete the circuit, L and M were involved in a car burglary ring in the northern Virginia area. From December, 1985 through May, 1986, they stole checks and identification from vehicles and forged and cashed the checks in the area. When arrested, L had in his pocket a stamped envelope addressed to another Vietnamese in Oklahoma City, containing several stolen identification cards of non-Vietnamese individuals.

So you see, these bands quickly traveled a circuit of cities, picking up new members as they went (and losing some along the way).

The other kind of organization I mentioned is the local, informal group. These local groups are found in numerous Vietnamese communities in the United States. The groups are loosely formed. To the extent there is any organization, there is a charismatic individual between the ages of 25 to 35 who directs the actions of the group. Guiding and advising this charismatic leader is an older person in the community who is usually a respected businessman. In the Washington metropolitan area, I know of two or three such groups. One group, operating in the Arlington area, has about 25 members. However, it is difficult to determine the number of members and groups, because their membership is very fluid.

These groups engage in extortion of Vietnamese businesses. Also, they rob Vietnamese residences, Vietnamese-owned restaurants and other businesses, and operate illegal high-stakes gambling operations. By fear and intimidation, the group builds its reputation and image. But since these groups are so loosely formed and mobile, there is no loyalty, no discipline and no settled turf.

What kind of crimes are committed in the Vietnamese communities? The Vietnamese frequently conduct illegal gambling operations in their homes and businesses. Card games such as "pai gow" and blackjack are popular. Also, the Vietnamese are involved in sports betting. During the football season of 1984, I investigated in the Arlington Vietnamese community a sports betting operation, which generated $100,000 a weekend. It was operated by a Vietnamese woman who was later convicted of running a gambling operation, a felony. Her five Vietnamese male co-defendants were convicted of related misdemeanors. Confiscated during the raid on this establishment were 50 taels valued at $16,000, as well as $13,000 in U.S. currency.

Taels are an underground currency. They are thin, rectangular pieces of 24 carat gold having a weight of approximately one ounce. They are commonly exchanged in Vietnamese communities. By using the gold as a medium of exchange, there is no papertrail (for tax or any other purpose).

It is common knowledge among the Vietnamese community around the country that Vietnamese are involved in the illegal importation and distribution of prescription drugs, such as codeine and valium. These drugs are shipped from France to Vietnamese in this country and then sold on the street or in unlicensed businesses in the Vietnamese community. I have seen signs in the windows of Vietnamese non-drug stores advertising, in Vietnamese, the sale of prescription drugs without prescriptions. This is done openly since most law enforcement officers don't read Vietnamese. In one incident, U.S. Customs officials intercepted three packages containing large amounts of valium from France addressed to three different Vietnamese in the Arlington area. Upon investigation, I learned that packages had been sent to the same people several times before and that the packages eventually ended up in the hands of one person.

Let me give you another example of how the gangs operate. We investigated an Arlington car burglary and check-cashing ring, which operated from December, 1985 through May, 1986. During that time, 15 cases were reported where vehicles were broken into, checks and identification stolen, and the checks forged and cashed. The m.o. seemed to be the same, though the victims were not necessarily Vietnamese. In each of these cases, checks were stolen out of the middle of the checkbook. Also it was clear that only three people signed the checks in all the cases. Checks were made out to the names of Vietnamese individuals and cashed with false or stolen Vietnamese identification. The group members would then go to banks, claim to be the bearer and collect on the checks. Two young Vietnamese males (mentioned above in my roving band case example) have been convicted of these crimes so far. We have other suspects, but haven't acted on them; because they are awaiting trial in Philadelphia for a rather vicious armed robbery.

According to news accounts and my California colleagues, medicaid fraud also appears to be widespread. In this type of operation, a doctor fills out prescriptions without examining the patient, bills medicaid for the patient's visit, the patient has the prescription filled and sends the pharmaceuticals to Vietnam.

Based upon my own experience and upon my continuous communication with my counterparts throughout the country, one trait of the Vietnamese criminal is outstanding and troublesome.

They are very violent. Most often, they have firearms in their possession when they commit crimes; and they do not hesitate to use them. I cannot recall one home invasion robbery perpetrated by a young Vietnamese in which a firearm was not displayed. They will shoot people, often Vietnamese, with little provocation. Upon apprehension of these criminals, it is common for law enforcement authorities to find one or more weapons.

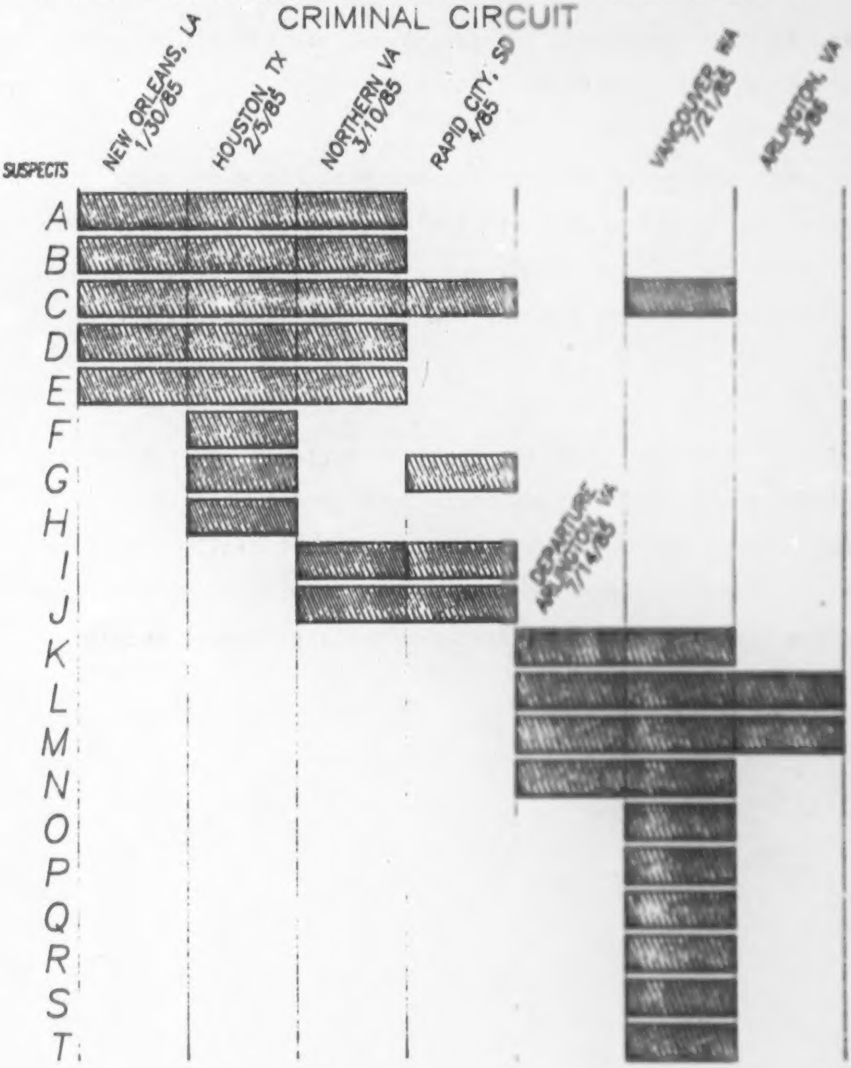
I have described how the Vietnamese operate. Are they organized? Yes and no. Organized crime is a self-perpetuating, continuing criminal conspiracy for profit and power using fear and corruption seeking immunity from the law. Using that definition, I do not believe that Vietnamese crime is now organized the way we usually think of organized crime. However, I do believe that there is a nationwide network of Vietnamese criminals, which could be the foundation for Vietnamese organized crime in the future. The roving bands do interact with the local criminal groups when they arrive in the various Vietnamese communities around the country. They readily know who to contact; they appear to have a ready-made information network. These local criminal groups support the criminal activities of the roving bands by providing information on who to victimize and also by harboring fugitives. In addition, in at least one case, it appears toll records reveal connections between Vietnamese criminals in Virginia with those in other cities. Other evidence includes the occurrence of similar crimes, such as the Toyota burglaries and the home-invasion robberies in cities throughout the country.

I have been asked for recommendations. In order to effectively combat the problem of Vietnamese crime, federal law enforcement involvement is necessary to overcome the territorial restraints and resource limitations of local law enforcement agencies.

I also recommend that the government provide a program for Vietnamese youth to help them assimilate into our society. Criminal groups recruit youths who are without family and without skills to cope with American society. A program to assist these disenfranchised youths could decrease the recruitment supply.

VIETNAMESE CRIME GROUPS

CRIMINAL CIRCUIT



TRỤ SINH : TERRAMYCINE AMPICILLINE...

KHÔNG CẦN TOA

CHIẾU THEO EXPORT LICENSE HIỆN HÀNH DO BỘ THƯƠNG MẠI HOA KỲ CẤP. CÔNG TY DỊCH VỤ VÀ VẬN CHUYỂN NHẬN ĐẶT MUA VỚI GIÁ HẠ ĐỦ CÁC LOẠI THUỐC NHỎ : TERRAMYCINE,AMPICILLINE,PENICILLINE... VÀ GỞI THẲNG VỀ VIETNAM CHO QUÝ KHÁCH HÀNG KHẮP CÁC TIỂU BANG HOA KỲ HÀNG TUẦN, NHANH LẸ MÀ KHÔNG CẦN TOA BÁC SĨ...

Translated by CRS, Library of Congress

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Antiboitics: Terramycine, Ampicilline, etc., without prescription

Based on present export license issued by the United States Department of Commerce, accepts orders to purchase at low cost medicine of all types and witnout doctors prescription: Terramycine, Ampicilline, Penicilline, etc., and promptly sends to Viet-Nam for customers living in U.S.

134/5
63

2
174
8.00
5.00
96.00
263.00

10
33.00

TRU SINH

Ampicillin 250mg--100v--$12.00
Ampicillin 500mg--100v--$17.00 4
Erythromycin250mg--100v--$15.00
Erythromycin500mg--100v--$24.00
Tetracyclin 250mg--100v--$10.00
Tetracyclin 500mg--100v--$13.00 5
Tifomycin 250mg--100v--$23.00
Lincocin 500mg-- 24v--$24.00 1
Penicillin 250mg--100v--$10.00
Penicillin 500mg--100v--$13.00
Lincocin chich------2cc--$ 8.00
Lincocin chich-----10cc--$24.00

CAM CUM SO MUI HO

Ornade generic--100v--$ 5.00
Dimacol----------100v--$14.00
Naldecon---------100v--$13.00
Purebrom---------100v --$13.00

THUOC CAM MAU

Synkavite------100v--$13.00

DAU DA DAY, DAU BUNG

Bentyl generic--100v--$ 8.00
Tagamet 300mg---100v--$44.00
Zantac 150mg----60v--$64.00

DAU GAN BO GAN

Chophytol------100v--$10.00
Liver extract--30cc--$14.00

LOI TIEU

Lasix 20mg generic--100v--$10.00
Dyazide-------------100v--$29.00
HCTZ 25mg-----------100v--$ 9.00

HUYET AP CAO

Aldomet 250mg------100v--$29.00
Aldomet generic----100v--$19.00
Lopressor 100mg----100v--$48.00

NHO MAT

Decadron-----------1o--$13.00
Dexamethasone------1o--$ 9.00
Garamycine---------1o--$ 9.00
Blephamide---------1o--$13.00

BUOU CO

Thyroid strong 60mg-----100v--$10.00
L thyroxine 0.1mg-------100v--$10.00

LAO PHOI

Isoniazide 300mg (Rimifon)--100v--$10.0
Rifadin 300mg----------------60v--$74.0
10 Streptomycine 1gm--------------1o--$ 3.0
Myambutol 400mg--------------100v--$72.0

THUOC XUYEN

Aminophyllin 100mg-----100v---$ 8.00
Aminophyllin 200mg-----100v---$12.00
Theodur 200mg----------100v---$18.00
Theodur 300mg----------100v---$22.00
Slowphyllin------------100v---$19.00
Tedral generic---------100v---$ 8.00

THUOC TRI BENH TRI

Amusol HC generic-------12----$12.00
Anusol suppository------12----$12.00

THUOC TRI AN CHAM TIEU

Kuzyme------------------100v---$25.00
Pancrease---------------100v---$25.00
Alkaseltzer-------------72v---$ 5.00

THUOC BO

Vitmine B1--------------100v
Vitamine B6-------------100v
Vitamine B complex-----100v
Vit B12 Chich-----------30cd
Vitamine B complex chich--30cc

THUOC TRI SUNG NHUC

Prednisone 5mg----------100v---10.00
Dexamethasone 0.5mg----100v---11.00

PHONG THAP NHUC MOI

Phenyl Butazone	100v	$15.00
Motrin 400mg	100v	$25.00
Rufen 400mg	100v	$20.00

SUY YEU TIM, TIM LON

Digoxin 0.25mg	100v	$12.00
Coramine	90cc	$20.00
Inderal 20mg	100v	$21.00
Inderal 40mg	100v	$30.00

KINH PHONG

Dilantin 100mg	100v	$20.00

THUOC BO THAN

Durabolin 25mg/cc	1 ong	$24.00
Methyltestoterone 25mg	100v	$18.00

TIEU DUONG

Diabinese 250mg	100v	$43.00
Diabinese generic	100v	$17.00

SOT RET

Chloroquime 250mg	100v	$16.00
Fansidar		$ 3.00v

NHO TAI (tai co mu)

Cortisporin	hop	$14.00
Auralgan	chai	$10.00

KHANG SINH

Bactrim generic	100v	$28.00
Gantrisin 0.5gm	100v	$10.00
Bactrim	100v	$38.00

SAN LAI

Vermox		$ 3.50
Antepar	100v	$14.00

NGUA ME DAY PHAN UNG

Atarax generic	100v	$10.00
Mycostatin generic	15gm	$ 8.00
Kenalog generic	80gm	$10.00
Benadryl 25mg	100v	$ 8.00
Chlortrimeton 4mg	100v	$11.00
Polaramine 6mg	100v	$11.00
Hydrocortisone cream 1%	60gm	$ 8.00

HUYET TRANG

Flagyl 250mg
Gyne Lotrimine

AN THAN SUY NHUOC THAN KINH

Amitriptylone 25mg	100v	$15.00
Haldol 1mg	100v	$34.00

THUOC TRI TIEU CHAY

Kaopectate 120ml
Carepectolin 120ml

KEM THOA MUN

Silvadene 50gm	hop	9.00

THUOC TRI NAM LAC

Fulvicin U/F	100v	39.00

KEM THOA TRI NHIEM TRUNG, GHE LO

Bacitracine ointment		5.00
Neosporine		

THUOC TRI CHI GHE

Kwell lotion ----

THUOC THU TIEU DUONG CAC LOAI

Tes tape
Va cac loai thuoc khac du loai.

RESPONSE TO THE REPORT GIVEN AT THE SENATE PERMANENT SUBCOMMITTEE ON THE ALLEGED CRIMINAL ACTIVITIES OF SOME NIGERIANS IN THE UNITED STATE OF AMERICA

The Embassy of the Federal Republic of Nigeria has noted with deep concern the reported involvement of some of its nationals in criminal activities including especially drug-peddling, in the United States of America. In particular, the Embassy has carefully perused the testimonies presented to the Senate Permanent Subcommittee on Investigations which held hearings on the matter on September 1986, and wishes to make the following observations:

(i) The Federal Government of Nigeria, like the United States Government, is most conscious of the dangers posed by these problems, and has therefore spared no effort to apprehend, and punish the perpetrators of these and other related crimes in so far they involve our nationals both at home and abroad. It is against this clear resolve that the Nigerian Government has cooperated with the Government of the United States in confronting and combatting these and related crimes on both sides. Also, in furtherance of the objectives of the two governments, competent Nigerian authorities have been involved in fruitful relationships with the United States Drug Enforcement Administration in areas such as Airport interdiction programme, and training. It is our firm hope that this cooperation will be intensified to the mutual benefit of our two governments and peoples.

(ii) As part of its present efforts in the matter, the Federal Government of Nigeria has promulgated a law on Drug Trafficking, under which offenders arrested for drug-pushing will, on conviction, forfeit all their assets to Government. Those found guilty of importing, manufacturing and planting hard drugs will be sentenced to life imprisonment, while exporters will attract a maximum jail term of twenty years. Furthermore those found selling or possession drugs will be sentenced to fourteen years imprisonment, while the users of drugs will be jailed for a minimum of two years and a maximum of ten years on conviction. The Government of Nigeria has also tightened security at all boarders to check drug-pushers, and immigration offenders.

(iii) The Nigerian Embassy wishes to emphasize that it has never, nor ever will condone or support the criminal activities of any group of persons, including, especially, our nationals either in this country or in other foreign lands. Indeed, we consider such activities here not only as disgraceful, but an unacceptable abuse of the hospitality accorded to our nationals in this country. The Nigerian Embassy, therefore deplores and categorically dissociates itself and the vast majority of innocent and responsible Nigerians in this country from such illegal activities.

(iv) Furthermore the Embassy wishes to give its reassurance of full support for any measures that may be considerd necessary in dealing, in a legal manner, with all perpetrators of drug-related crimes and activities. In so doing, the Embassy wishes to reiterate that the vast majority of Nigerian nationals, living and working in the United States of America, are honest, law-abiding and responsible citizens. Indeed, many of them go about their duties with no less devotion, and dedication than their American counterparts, whose respect they have won and continue to retain.

2. Having stated the above, and without the intention of going into details, it is the feeling of the Embassy that some aspects of the illegal activities ascribed to Nigerians in these testimonies have either been distorted or exaggerated.

(i) It should be noted that many Africans in the United States, for reasons best known to them, often claim to be Nigerians and assume Nigerian names when, indeed, they belong to other countries in Africa. Moreover, most of the traffickers, even where they are Nigerians, do not invariably originate from Nigeria with their goods.

(ii) The attempt to link officers of the Consulate-General in New York and other Nigerians employed in the United Nations or the Nigerian Mission with these activities is a clear distortion of the facts. The statement that "A Significant number of these Nigerians also entered the United States with diplomatic visas, either as employees of the Nigerian Mission to the United Nations, or the Nigerian Consulate in New York City. Nigerians who entered the United States in this manner were often found to be carried on the rolls of the Mission and the Consulate, but their credentials were never actually presented to the U.S. Department of State" at page 62-63 of the report is absolutely incorrect and absurd.

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(iii) Similar stories of illegal activities of Nigerians have been carried on several occasions and rehearshed in several documents in the Embassy's possession, to create the impression of an orchestrated campaign, the motive of which is not quite clear.

(iv) The timing of the publication of these incidents of illegal activities of Nigerians in United States news media invariably, coincides with meetings of international organisations, held in this country. This creates the impression of some ulterior motive to expose Nigeria into ridicule.

(v) The testimony of Mr. di Genova, US attorney, which created the false and alarming impression, carried in the news media, that Nigerians are responsible for up to 90 per cent of the heroin being brought to Washington, D.C. and Washington Cosmopolitan area, must be a distortion of the facts.

3. The Nigerian Embassy is aware of acts of deliberate harrassment of some of its law-abiding nationals by some over-enthusiastic and over-zealous U.S. law enforcement agencies, arrest of its nationals without the Embassy and the Consulates-General being promptly informed, irregular seizure of passports belonging to the Nigerian Government; or, at times, loss of of those documents by U.S. law-enforcement agencies, including denial of consular access to its nationals under arrest. Above all, the Embassy is aware of the undignified and humiliating treatment often meted to responsbile Nigerians by some agencies of the United States Government at several points of entry into the United States. These, and other related matters, are being discussed with the State Department whose understanding and cooperation are highly valued.

4. In the light of the on-going cooperation between the Nigerian and United States Governments, it is hoped that some restraint will be shown, so that while everything possible is being done to strike at the heart of the criminal activities of a few Nigerian nationals, the problem is, nevertheless, kept in its proper perspective, so that no unintended harm is done to the good relations and the excellent programme of co-operation which exist between our two governments at various levels. The Embassy had always taken the position that a Senate hearing, targetted specifically on Nigeria, while being completely within the rights of the United States Government, was likely to be viewed by the Nigerian Government as counter-productive to the existing positive, constructive and serious programme of cooperation.

5. Finally, the Embassy reiterates its willingness to cooperate fully with the United States Government in every legal manner possible, compatible with the sovereignty and dignity of Nigeria, in the fight against drugs and other illegal activities perpetrated by an insignificant number of its nationals which constitute an embarrassment to the vast majority of responsible and law-abiding Nigerians in this country. It is hoped the United States will do the same with crimes committed by some United States citizens in Nigeria.

Embassy of Nigeria,
Washington, D.C.
10th October, 1986

PERMANENT SUBCOMMITTEE ON INVESTIGATIONS

STAFF STATEMENT

SEPTEMBER 17, 1986

Within the past 10 years, a "Nigerian Crime Network" has emerged as a major problem for law enforcement agencies throughout the United States. The term "Nigerian Crime Network" has been chosen since no hard evidence has been found to reflect the existence of one national organized group. Rather, regional and local organizations have been found to exist within the "network." Unlike traditional organized crime, the regional organizations are often composed of individuals who maintain their own criminal identities apart from the various small groups that may be included in the organization. Also, unlike traditional organized crime, the organizations appear to make no territorial claims, are highly mobile, and may display no clear hierarchy.

During its lengthy investigation, the Subcommittee staff determined that members of the Nigerian Crime Network have become especially adept at credit card fraud, bank fraud, insurance fraud and entitlement fraud, and have recently moved into the area of narcotics trafficking and distribution. The staff also found numerous examples of marriage fraud, visa and passport fraud, and customs and currency violations.

Details from numerous criminal investigations have been provided by law enforcement officers and agencies, as well as bank investigators. In addition, the Subcommittee files are replete with: copies of indictments and other court documents; fraudulent credit card applications and credit cards; fraudulent driver's licenses, social security cards, and school identification cards; forged Nigerian passports; detailed investigative reports, and; statements obtained from arrested Nigerians. Although these materials come from all over the country, it appears that New York and Houston are the hubs of Nigerian criminal activity, with significant problems also existing in Atlanta, New Orleans, Los Angeles, and the Washington-Baltimore area. Smaller cities and towns have also experienced problems which often tax the resources of local police departments. (Several European nations, particularly England, are also having serious problems with Nigerian criminal activities.)

The Subcommittee staff cannot estimate the percentage of Nigerians who are engaged in criminal activities in the United States. Estimates obtained by the staff from federal and local law enforcement agencies appear to be speculative and without adequate factual support.

In virtually all of the known criminal cases involving Nigerians, the individuals have been found to be in possession of or using false documents. As a result, investigators seldom know with certainty whom they have arrested and have been unable to accurately check for prior arrests and outstanding warrants. In fact, this aspect of the investigation suggests that little has changed since the Subcommittee held hearings on Federal Identification Fraud in 1982.

The PSI staff encountered criminal cases in one area of the country involving Nigerian nationals which were virtually identical to cases in other parts of the country involving other Nigerians. These common patterns of criminal activity, coupled with informant statements linking various groups, and documentary evidence showing the use of common addresses in various schemes and links among individuals through telephone records, establishes the existence of a criminal network, albeit loose in its organization.

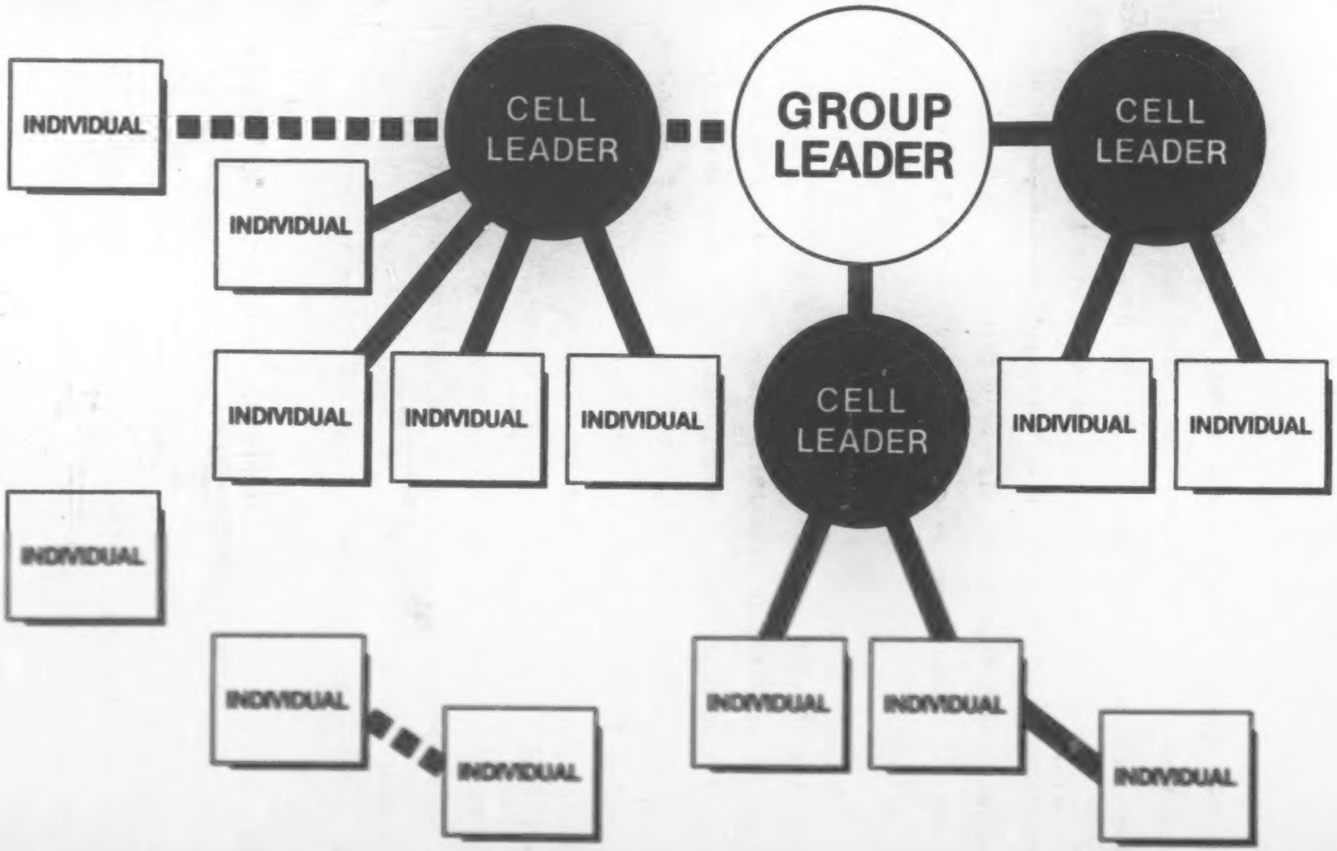
An analysis of the Nigerian Crime Network reflects three identifiable elements. The first and most common is the individual who learns how to commit fraud from another Nigerian, perhaps for a fee. Armed with this information, the individual can literally live off the American economy while attending school or engaging in other activities. Over a period of years, the individual defrauds the U.S. economy of thousands of dollars. The Subcommittee staff has heard of instances where the individual continues to pay a percentage to his "trainer," but more often it seems that the original training fee (if any) is sufficient.

In what appears to be a common scenario, a Nigerian student (admitted to the U.S. on a student visa) has difficulties paying school and/or living expenses, perhaps because a promised source of funds such as the Nigerian government or a private sponsor has not provided the funds. (Strict controls on the export of currency from Nigeria can also be a problem.) To acquire needed funds the student uses fraud techniques learned from other Nigerians.

An investigative report obtained by the PSI staff, quoting a Nigerian arrested in late 1985, states, "He said that due to constraints placed upon him and other Nigerian students in regards to money, that they are forced to engage in criminal activity to pay bills. He specifically mentioned passing bad paper. He stated that others taught how to do this and that the U.S. Government is responsible for Nigerians committing crimes. He said that student cannot work because of Immigration regulations, funds are slow in coming from home, and money is necessary to pay bills." (The report containing this quote can be found in the confidential portion of the Appendix.)

The second identifiable element has been labeled by some law enforcement officials as the "cell" group. Consisting of between 3 and 15 members, the cell usually has an identifiable leader who controls the group's criminal activities. Frequently, the leader acts as a recruiter and trainer for new members, who are

NIGERIAN CRIME NETWORK


INDIVIDUAL
CELL LEADER
GROUP LEADER
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generally if not always found on college campuses. The leader or trainer may control a number of cells based in different parts of the country and is usually linked in various ways to other cell leaders. Despite these relationships, there appears to be no clear geographical boundary lines of jurisdiction or control among the various cell leaders. In virtually all of the known cases, individuals who are involved in cell activities are also involved in individual frauds. Clearly, the amount of fraud in these cases can run into the millions of dollars.

The third element is more of a structured hierarchy where the leader has clearly insulated himself from direct criminal activity. Below the leader are various cell leaders which control smaller groups involved in criminal activities. While this hierarchy appears to be more evident in the narcotics trafficking area, smaller scale examples have been found to be involved in credit card fraud.

One example of the second element (and perhaps the third) was provided to the Subcommittee staff by the Secret Service, which investigated a credit card and bank fraud ring which operated in Nashville, Huntsville, Birmingham, Baton Rouge, Columbus, and New York. The Secret Service also received information that an organization based in Connecticut actually ran the scheme and provided necessary information and assistance to the ring members. (A copy of the investigative report for this case is included in the confidential portion of the Appendix.) Steve

Simmons of the Georgia Bureau of Investigation will describe another network of Nigerians concentrated in the Southeastern United States later this morning.

The Subcommittee staff has been unable to conclusively determine whether Nigerians are being formally trained in fraudulent schemes in classes of some sort (in the United States and/or Nigeria) or through written manuals. Allegations of such training have been made by a number of law enforcement officials, generally through informant information.

For instance, one allegation of formalized training involves the Celestial Church of Christ, a religious group based in Nigeria. According to a federal investigative report obtained by the Subcommittee which summarized a statement provided by a Nigerian arrested in New York, "The church services are held on Friday evenings and Sunday afternoons. In the middle of services, both ______ and in particular, ________, will get up before the congregation and explain how to 'beat the system.' They sell to the congregation, fake green cards, fake social security cards, United States birth certificates, and fake credit cards. There is a specific price for each item. For instance, an American Express card under a different name sells for about $200. ______ estimates that approximately half the congregation is on welfare and in receipt of food stamps. ______ also estimates that 90% of the men in the congregation have fraudulently attained federally guaranteed student loans and have fraudulent social security cards. Also most of the men in the congregation have 3 or 4 Nigerian passports."

It appears that alleged "Nigerian training manuals" are usually general publications, available to any interested persons, which discuss false documentation and identification and how to use these documents. For instance, the staff has obtained a copy of a publication which was found by Texas law enforcement officers during an arrest of Nigerians in 1985 and includes sections on "birth certificates," "credit card scams," "phone card fraud," "mailorder/phoneorder fraud," "ripping off card numbers," "counterfeiting cards," and "automatic teller machines." (This publication is included in the Appendix.)

Although increasing numbers of Nigerians are being arrested for criminal violations, the criminal justice system often breaks down after arrest. Many Nigerians have avoided serious criminal sentences, either because their individual non-violent fraud crimes resulted only in fines and probation, because the individual absconded, or because federal authorities chose to deport the individual rather than prosecute. In many jurisdictions, especially the federal system, prosecutors do not pursue financial fraud cases because of the relatively small dollar amounts which are involved. In the past year, this picture has begun to change in some jurisdictions. For instance, one can now find cases where individuals have received 10 year sentences for credit card fraud.

Law enforcement officers continue to complain of an ineffective and meaningless deportation process. The PSI staff encountered several cases where Nigerian nationals had been deported, but had returned to the U.S. through the use of false documents, where they resumed their criminal activity (and may have been re-arrested). Further, the deportation process, due to appeals and other procedures, can take years, allowing additional time to commit crimes and assume new identities.

Testimony from today's witnesses will address the existence of a Nigerian Crime Network, and will highlight the types of crimes which are being perpetrated by Nigerian nationals as well as the impact of such crimes on the U.S. economy. In addition, testimony today will identify weaknesses in the visa control and deportation processes. Since the Subcommittee expects to hold hearings on several other alien criminal groups which have emerged as significant crime groups in the U.S., testimony regarding policies of the Immigration and Naturalization Service and the U.S. Department of State will be received at a later date.

Entry into the United States

Recent statistics suggest that 40,000-50,000 Nigerian nationals are residing in the United States, with perhaps half attending school. Law enforcement officers uniformly state that virtually all Nigerians they arrest entered the country with a student visa (whether or not they are currently students).

In order to enter the U.S., Nigerian nationals must first obtain visas through the U.S. Embassy or Consulate. This process has been complicated by the fact that birth records are seldom utilized in Nigeria and if needed, they can be obtained by a simple declaration process or acquired through forgery.

Additionally, it is relatively easy to obtain a Nigerian passport using an alias. Several informants have advised the Subcommittee staff that false passports can be obtained for a fee in Lagos without great difficulty. One Nigerian informant, responding to Subcommittee questions in April, 1986, stated, "Yeah, you can obtain a birth certificate any time you want to in Nigeria. There's no document you cannot obtain in Nigeria. Passport, birth certificate, anything. If you have the money to spend. It's just a piece of paper. You can get it any time." (A copy of the transcript of the interview with this informant is included in the Appendix.)

The PSI staff also learned that an estimated 50,000 blank Nigerian passports were stolen several years ago, and many of these have turned up with U.S. entrants. State Department officials have also confirmed problems with photo-substitution and the removal of visa pages which are reinserted in other passport documents.

During its investigation, the staff also learned of numerous cases where Nigerians entered the U.S. legally as visitors or tourists but overstayed their visas.

Foreign students must present a Form I-20, which is issued by an American school and verifies that the individual has been accepted as a student by the institution. In addition, the individual must present evidence to U.S. consular officers that he/she has the financial resources to support himself/herself while in the U.S. as a student. A student visa can then be obtained.

Although the Subcommittee staff also discovered cases of undocumented Nigerians entering the U.S., usually across the U.S.-Canadian border, this appears to be the least likely method of entry.

Narcotics Trafficking

Federal law enforcement officials have informed the Subcommittee staff that Nigerians are becoming increasingly involved in heroin trafficking. Most of this heroin is originally purchased in Pakistan and India and is transported through Nigeria and/or

Europe into the United States, with women most often used as couriers.

The Washington-Baltimore area is a favorite entry and sales region for Nigerian traffickers. Accordingly, a task force has been formed in Washington and the United States Attorney for the District of Columbia, Joseph diGenova, will appear as a witness later this morning to discuss the work of this task force. (The confidential portion of the Appendix includes a 1985 DEA report and several U.S. Customs investigative reports on Nigerian drug trafficking.)

Credit Card Fraud

Investigators from the law enforcement and banking communities are unanimous in their belief that credit card frauds perpetrated by Nigerians are the most prevalent and the most sophisticated in the country, perhaps by a wide margin. Martin Biegelman of the Postal Inspection Service, who heads credit card fraud investigations in the New York area, will testify later this morning. We will also hear from a Nigerian who has been arrested for credit card fraud. (VISA USA has also provided a written statement which is included in the Appendix.)

One basic credit card scheme used by Nigerians involves the fraudulent use of an individual's legitimate identifying information, such as name, social security number, employer, etc. By using correct information on a credit card application, an applicant can virtually ensure the receipt of a card because in most instances the individual whose information is being used has a stable job and a good credit history. If the financial institution issuing the card decides to verify any information (which is far from automatic), the verification would be positive because the information on the application is accurate. The major distinction would be the address on the application, because the applicant wants the card to be sent to his own address, a friend's address, or in many instances a mail drop such as a post office box or a vacant apartment. Changing mail drops and other addresses frequently decreases the chance of being caught. In some instances the mail drop is located in a completely different city and the Nigerian travels to this city occasionally to check his mail (and confuse investigators).

Legitimate identifying information can be obtained in a variety of ways. Nigerians have been known to take jobs as security guards or janitorial workers in office buildings in order to obtain access to personal offices and desks and/or company personnel files. Such workers rummage through office trash in order to obtain information about employees. This is particularly helpful when pre-approved credit card mailings are thrown away; only the mailing address needs to be changed for a guaranteed card. The PSI staff has been informed of several cases where Nigerians obtained jobs in banks or credit bureaus to obtain necessary information, or bribed bank employees for the information.

The PSI staff has obtained representative lists of employees seized from Nigerians who have been arrested for credit card fraud. These lists are believed to be shared by Nigerians in different parts of the country, lending support to the "network" theory. For instance, two Nigerians living in Baltimore who were arrested for auto theft (for fraudulently renting a car) were found to possess numerous identification and credit cards. They also had employee lists (with social security numbers) associated with a major corporation in New York, and these lists have also been found in the possession of Nigerians involved in credit card frauds in New York. (Copies of these lists are included in the confidential portion of the Appendix.) Since banks do not normally share applicant or cardholder information, many persons can use the same identifying information to obtain cards.

Credit cards are also obtained by using completely false information on an application. Sometimes the financial institution will not bother to verify the information. In cases where it does attempt to do so, Nigerians have been known to elude this verification process by listing the numbers of associates who answer the telephone and provide false information which is accepted by the financial institution. Occasionally, call forwarding services are used to effectuate this process as well as confuse investigators. In a recent case in New

Hampshire, several Nigerians registered a phony company with the State Secretary of State, obtained a business telephone number, and several individuals would answer the phones to supply employment verification information to banks.

Normally, one individual submits multiple applications, using different names and applying to several banks. Even if only a small percentage of these result in the actual receipt of credit cards, the result can be one person possessing many different fraudulent cards. The Subcommittee staff has obtained copies of numerous credit card applications submitted by Nigerians which have the same address, employer, and other information, and are clearly from the same individual (or group of individuals).

Once a card is obtained fraudulently, merchandise is usually bought with it until the card becomes "hot," which is usually several months at the most. The card may be used briefly by one individual and then passed on to someone else in a different geographic region in order to confuse banks and investigators. In some cases the use of the card is limited to the purchases needed to live comfortably without any other income. Or it can mean the accumulation of stereo equipment and similar merchandise which can be "fenced." By using the cards to buy airline tickets and rent cars, the merchandise can be bought all over the country, making the trail more difficult for investigators to follow.

Cards are also frequently used in conjunction with automatic transaction machines to obtain cash, or cash advances can be obtained directly from banks.

Another related scheme involves the use of the identifying information to open checking accounts. By writing checks on these accounts without having funds in the accounts, a Nigerian can "pay" a credit card bill for several months until it becomes apparent that these checks are bouncing. Some banks automatically "clear" a credit card account when receiving a check, before the check itself is cleared, which may take several days (the so-called "float" period). During this "float" period the Nigerian using the fraudulent card can make purchases to the limit again. In some cases, the person will make full payments on a small credit card bill for several months in order to show good faith and get one's credit increased. Later, the same person will make major purchases and no attempts are made at payment.

Since much of the activity involving credit card frauds flows through the mail system, the Postal Inspection Service has conducted significant investigations in this area. Recently, legislation authorized the Secret Service to investigate credit card fraud (18 U.S.C. 1029).

Investigators have also uncovered numerous cases of "check kiting" schemes perpetrated by Nigerians which operate independently from credit card frauds. These schemes generally involve opening checking accounts without having the money to do so. They include setting up accounts with out of town checks and then writing checks or demanding cash prior to the clearance of the original deposit check, which eventually bounces.

In one case desribed to PSI staff by U.S. Customs investigators, a Nigerian used fraudulent documentation to obtain a $1 million letter of credit from a Nigerian bank for a dummy import/export company. The individual was able to withdraw over $1 million from a Seattle bank before the fraud was detected. He wired the money to London, flew there, and obtained cash. The money has not been recovered but the Nigerian was arrested. However, he was permitted to post $30,000 bond and is now a fugitive. This individual also allegedly defrauded the Nigerian government out of hundreds of thousands of dollars in student scholarship money by purchasing phony check endorsement stamps for over 30 U.S. schools. (The indictment and other materials related to this case are included in the Appendix.)

Insurance Fraud

Both private investigators and law enforcement officers told the PSI staff about insurance frauds committed by Nigerians, either as individuals or within a group.

The staff was told of several types of frauds, including a basic fraud involving the filing of false claims for lost or stolen merchandise. In the case of Nigerians, the merchandise is often originally purchased with fraudulent credit cards and in some cases the merchandise is shipped to friends and relatives in Nigeria prior to the filing of a false claim. Multiple claims with different insurance companies are also common. The staff has also been informed about false burglary reports, sometimes supported by bogus receipts of items purchased in Nigeria. One state investigator received evidence that receipts were actually being printed in Atlanta. (Investigative reports obtained from the Kansas Bureau of Investigation are included in the confidential portion of the Appendix.)

Insurance companies have also been faced with increasing death and injury claims, often involving non-existent accidents occurring in Nigeria. In one situation described to the staff, 8 injury claims based upon alleged hit and run accidents in Nigeria, all following the same pattern of reports and receipts and witnesses, were filed with one insurance company. It is virtually impossible for the insurance company to properly investigate the relevant circumstances. In another example, a Nigerian living in Richmond filed 18 accident claims in 3 years; he was eventually convicted of fraud.

A third basic type of insurance fraud committed by Nigerians is automobile claims, involving multiple claims on the same car, or stolen auto claims when the vehicle has in fact been shipped to Nigeria (or concealed in some other fashion).

Entitlement Fraud

An internal Immigration and Naturalization Service memorandum obtained by the Subcommittee (dated October, 1985) states, "Over the past few years it has become evident that on a nationwide basis, aliens from West Africa, primarily Nigeria, Ghana, and Liberia, are abusing our entitlement systems in a most organized and methodical way." The PSI staff attempted to investigate the extent to which all ineligible aliens are defrauding government entitlement programs, either through false claims of citizenship or false claims of a specified alien status which would provide for entitlement to benefits. The following major entitlement programs were chosen for review:

-- Student Aid;
-- Food Stamps;
-- Public Housing;
-- Unemployment Insurance;
-- Supplemental Security Income;
-- Aid for Families with Dependent Children, and;
-- Medicaid.

With the exception of the student aid programs, it appears that little effort is being made by federal agencies to determine the extent of fraud being perpetrated by ineligible aliens. While all of the programs examined require documentation of alien status and all agencies have a procedure for verifying such documents, interaction between the various agencies and INS continues to be sporadic at best. (INS has recently begun to emphasize better cooperation along these lines.) This is due in part to a lack of confidence by the Federal and state agencies in INS records as well as the lack of available manpower at INS. Another reason for this lack of cooperation is the attitude expressed by numerous program officials who tend to view entitlement fraud as an "enforcement" problem. Meanwhile, criminal investigators contend that substantial fraud exists due to the failure of the program people to follow through on "front-end verification," conducted before the benefits are granted.

In programs administered on a state level by state agencies, there generally appears to be little, if any, information on the degree of compliance with the citizenship/alien status requirements. For example, Food and Nutrition Service officials, who supervise the Food Stamp Program, denied knowing of any significant abuse by ineligible aliens during intervciews with the Subcommittee staff. Officials then confirmed that prior to the verification of alien status, the state agency: 1) must have reason to suspect the documents submitted, and 2) must then obtain the written consent of the individual applicant prior to verification with INS (see 7 C.F.R. 273.2(f)). They similarly confirmed that citizenship is not verified and that state agencies are not required to account for alien applicants, e.g., the number of applicants received, the number of applicants withdrawn, etc.

Federally administered programs, such as Supplemental Security Income, appear to be much more self-conscious of the susceptibility of the program to fraud and efforts are clearly made to verify the citizenship/alien status requirements. In addition, Federally administered programs appear to be able to respond to suspected fraud schemes with relative speed by issuing national directives to all local offices. (This kind of information sharing appears to be lacking in the State administered programs.)

Several programs, for instance AFDC and food stamps, require applicants to provide state agencies with social security numbers. This allows for a computer match of social security numbers with wage data. Since not all states are computerized, and the information used may be somewhat dated, these checks may or may not be adequate. Furthermore, social security numbers are not meant to be used as proof of identification. They may be good numbers which have been obtained through the use of fraudulent documents or numbers belonging to other individuals.

In either case, a computer check would not necessarily detect the fraud.

Federal Housing Assistance programs, which are administered by local housing authorities, are even more severely hampered due to the fact that HUD is not exempt from the restrictions on Social Security information (the Privacy Act). As a result, social security numbers cannot be verified in these programs. However, on April 1 HUD issued a final regulation (51 Federal Register 11198) prohibiting the payment of housing assistance to non-eligible aliens and requiring local officials to force the production of documents showing U.S. citizenship. In response, the House of Representatives voted on June 11 to allow families currently living in federally subsidized housing who have at least one legal resident to remain there (see 132 Cong. Rec. H3493-98) HUD subsequently postponed implementation of the new regulations until September 30.

The PSI staff found the greatest federal interest in potential entitlement benefit fraud in the student aid programs. In recent years, the Department of Education Inspector General's Office, working in conjunction with INS and state investigators, has identified over 400 cases of alien entitlement fraud, most based upon false claims to U.S. citizenship. (Generally, cases valued over $10,000 were prosecuted federally; under $10,000, prosecuted by state officials.) Many of these cases involved Nigerians. (A listing of ineligible alien cases, provided by the Department of Education, is included in the Appendix.)

The two major sources of federal student aid are Guaranteed Student Loans and Pell Grants. The PSI staff has been informed that Nigerians generally apply for student aid in their own names, to ensure that any degrees which they receive are in their names and thus useable if they return to Nigeria. They generally claim U.S. citizenship, thus making them eligible for student aid, and these claims are rarely questioned.

However, some Nigerians submit multiple applications for aid using different names, often Americanized ones. In one case from the Baltimore area, a Nigerian had 15 loan accounts at 3 different schools, totalling $42,000, although only $28,000 had actually been collected at the time of his arrest. (A memorandum of plea negotiations which describes this case is included in the Appendix.) In another case described to PSI staff, one individual was registered at 3 different schools in Alabama and one in Maryland (under different names) and illegally obtained $36,000 in student loans. In a Chicago-area case, 4 members of the same family illegally obtained over $60,000 in student aid. These individuals also lived in federally subsidized housing and received food stamps (all illegally).

A major project to uncover student aid fraud began in 1980 in New York, involving the Department of Education, INS, and the FBI. A list of names supplied by the state's higher education agency was provided to INS, which determined that a majority of the names were not eligible for student aid. Numerous individuals were then located and arrested, and 95% of those detected were Nigerian. Richard Palak of the Immigration and Naturalization Service participated in this project and will appear as a witness later this morning. (An INS investigative report concerning this project is included in the confidential portion of the Appendix.)

These results caused the Department of Education to extend this project to other regional offices. However, this project was discontinued after several years, and Department of Education personnel informed the PSI staff that projects specifically designed to catch ineligible aliens are no longer conducted, and that individuals engaged in student aid fraud are generally discovered only when arrested for other crimes, for instance credit card fraud.

The staff has been informed that schools have always left enforcement and verification to others, feeling that this is not their job, despite statements by Department of Education officials (to PSI staff) that this is part of the school's responsibilities. Further, very few state guaranty agencies (which administer various aid programs for the federal government) have effective front-end verification systems, if there is any system at all. A written statement provided by the Department of Education is included in the Appendix.

An exception to this is the Pennsylvania Higher Education Assistance Agency (PHEAA), which has established a highly successful program to administer student aid, including various procedures to prevent fraud. A written statement from PHEAA is included in the Appendix. This statement discusses PHEAA's organization and its participation in a task force in Pennsylvania which has thus far resulted in over 40 prosecutions of students, almost all from Nigeria, who fraudulently obtained student aid.

Fraudulent marriages to U.S. citizens also provide Nigerians (and other foreign nationals) with access to entitlement benefits as "permanent residents." These marriages are arranged for a fee, often to prostitutes. Many entitlement benefits are available as soon as the marriage takes place, even while the individual's application for permanent resident status is pending with INS.

An alternative to the "marriage fraud" is to merely obtain a fraudulent "green card," which signifies permanent resident status. As illustrated in the Subcommittee's 1982 hearings, false green cards can be easily obtained by members of any nationality.

Recommendations

During its investigation, the PSI staff encountered numerous recommendations for legislative, regulatory, and other changes designed to combat the activities of the Nigerian Crime Network. Many of these recommendations would be similarly applicable to other foreign nationals residing in the United States. The staff believes that the following recommendations have the most merit and deserve further scrutiny by the relevant federal agencies and congressional committees:

1. Improvement of visa issuance and other entry procedures: Law enforcement officers have consistently informed the PSI staff that many of the Nigerians arrested for fraudulent activities are in the country illegally, often through the use of fraudulently obtained visas. The State Department needs to tighten up its entry procedures, particularly for individuals who have already been deported and attempt to return to the U.S. under another identity. The Subcommittee hopes to hear from the State Department during a future hearing on emerging criminal groups.

The procedures for granting permanent resident alien status should also be tightened. Legislation recently introduced in both the House and the Senate which would impose a two year waiting period before an application for permanent resident status can be made would be a positive step.

2. Verification of alien eligibility for entitlements: INS has begun a computer match program with a few states in an effort to

identify ineligible aliens seeking welfare and other entitlement benefits. Generally, the project focuses on state-administered federal programs such as food stamps, Aid for Families with Dependent Children, and Unemployment Insurance. If the INS records and the information on the state benefit application do not match (or INS records cannot be found), the state generally asks the applicant to appear for a personal interview. Most of the applicants fail to appear, some due to logistical problems or a fear of being interviewed, and some because they know they are ineligible for the benefits and would be caught. (However, it is likely that many of these individuals subsequently re-apply under a different identity.)

This program is known as the Systematic Alien Verification for Entitlements (SAVE). (An INS summary of SAVE is included in the Appendix.) It has been included as a mandatory provision in legislation before both the Senate and the House. Most states do not currently participate in the SAVE program on a voluntary basis. Among the reasons provided for this non-participation is lack of confidence in INS records, added costs, potential liability for errors, and the reluctance of benefits personnel to become "enforcement" personnel. But the proposed legislation would require states to verify alien status, and thus alien eligibility, before the issuance of benefits. Certainly, this system is dependent upon the accuracy and completeness of INS records, areas which need improvement. The SAVE system is also limited because it does not come into play unless the alien notes on the benefit application form that he is an alien (who nevertheless qualifies for the requested benefit). If a false claim of citizenship is made, the application will never enter the SAVE system.

This system is also dependent upon the resolution of the "under color of law" isuue which is the subject of several pending law suits. The key case is Berger v. Heckler, involving the interpretation of 42 U.S.C. 1382c(a)(1)(B), which provides eligibility for SSI benefits to aliens residing in the U.S. "under color of law." In August, 1985 a federal appeals court (Second Circuit) defined this phrase to include aliens residing in the U.S. "with the knowledge and permission of INS," a definition which would include aliens who have been held to be deportable but have not physically been deported due to appeals, lack of INS resources, or any other reasons, as well as aliens whom INS is aware of but against whom formal deportation proceedings have not been begun. Other cases have attempted to extend this sort of interpretation to unemployment insurance benefits, AFDC benefits, and Medicaid benefits (with varying degrees of success thus far). If this broad judicial interpretation continues (which is likely; for instance, in July a federal judge in New York's Eastern District ruled in Lewis v. Krauskopf that all illegal aliens were entitled to Medicaid benefits), the federal government will be obligated to provide substantial additional entitlement benefits to aliens (which probably contravenes the congressional intent found in benefits legislation), and would obviate the necessity of the SAVE program. Accordingly, Congress may wish to provide a precise statutory defintion of "under color of law" and/or impose the same eligibility requirements for all entitlement programs.

Congress may also wish to clear up other possibly ambiguous phrases in benefits legislation. For instance, the removal of the "prior written consent" provision of the food stamp legislation would improve alien status verification efforts, as would the issuance of any guidelines by the Department of Agriculture regarding the verification of citizenship by applicants. Congress may also wish to provide for HUD access to social security numbers in order to match these numbers with housing application information.

3. Tightening of procedures relating to student aid: PHEAA has demonstrated the value of an effective state higher education guaranty agency. Federal legislation and/or regulations should require state agencies which administer the Guaranteed Student Loan program to establish enforcement units (similar to the Medicaid fraud units). The Department of Education should also place greater pressure on the schools themselves to verify citizenship information, and recently issued regulations would require schools to verify eligible alien status (but not citizenship status).

4. Creation of a central data base: This sort of data base is especially needed to assist law enforcement officers in the investigation of credit card and related financial frauds committed by Nigerians, whose mobility and multiple identities create severe problems. INS has recently begun such an effort in its Newark, New Jersey office, and documentary information received from INS concerning this project is included in the confidential portion of the Appendix. Private banking groups have also increased their efforts to share information but greater input and coordination are necessary.

5. Involvement of Department of Justice and FBI: Several knowledgeable individuals interviewed by PSI staff stated that local law enforcement officials are overwhelmed by the fraudulent activities committed by Nigerians and need the assistance of the federal government. Accordingly, the Department of Justice should recognize that "emerging criminal groups" such as the Nigerians are significantly engaged in criminal activities and should devote more resources, including the Organized Crime Strike Forces and the FBI, to these groups.

Appendix

No	Staff Statement Page	
1C	4	Maryland State Police investigative report re: Cyprian Anugwolu (12/85)
2C	5	U.S. Secret Service investigative report re: credit card fraud, Nashville (12/85)
3	7	White collar fraud manual (obtained by Texas Department of Public Safety)
4	9	Interview of Nigerian informant (4/86)
5C	11	Nigerian drug trafficking reports (DEA, Customs)
6	11	Written statement submitted by VISA International
7C	13	Sample employee lists obtained from New York corporations by Nigerians
8	16	Indictment and affidavit, U.S. v. Izegbu (U.S. District Court, Western District of Washington)
9C	17	Kansas Bureau of Investigation investigative reports re: insurance frauds
10	22	Department of Education list of student aid fraud cases
11	22	Plea negotiations memorandum, Maryland v. Salami (Circuit Court, Baltimore County)
12C	23	Immigration and Naturalization Service summary report of investigation re: student aid fraud (4/14/83)
13	23	Written statement submitted by U.S. Department of Education

14	24	Written statement submitted by Pennsylvania Higher Education Assistance Agency (PHEAA)
15	26	INS materials re: Systematic Alien Verification for Entitlements (SAVE) program
16	29	INS materials re: Project Plastic

[C denotes materials maintained in the confidential files of the Subcommittee]

STATEMENT OF JAMES B. THOMAS, JR.
INSPECTOR GENERAL
U. S. DEPARTMENT OF EDUCATION

Mr. Chairman, thank you for the opportunity to provide this statement for the record of hearings before the Senate Permanent Subcommittee on Investigations on the subject of "emerging criminal groups." This statement addresses the activities of the Education Department (ED) Office of Inspector General (OIG) relating to fraud committed against Federal student financial assistance programs by aliens who are ineligible to participate in these programs.

The Office of Inspector General was established under the Inspector General Act of 1978 to conduct audits and investigations of ED programs and operations, to promote economy, efficiency and effectiveness in administration of these programs and operations and to prevent and detect fraud, waste, and abuse in programs and activities funded by the Education Department. Since creation of the Education Department in May 1980, the OIG has been involved extensively in uncovering cases of Federal student aid fraud, including such fraud that is committed by ineligible foreign nationals.

Federal student aid programs administered by the Education Department take several forms and represent sizable Federal expenditures annually. Taken together, these loan, grant and work-study programs constitute annual Federal funding exceeding eight billion dollars, or roughly half of the annual funding for all ED programs. Through March 31, 1986, OIG-investigated cases have resulted in 486 indictments and 318 convictions of foreign nationals who fraudulently applied for and received Federal student aid. While it is impossible to judge the full extent to which ineligible non-citizens are committing fraud against Federal student aid programs, our experience clearly indicates the existence of this criminal activity.

To qualify as eligible to receive ED-administered Federal student aid, an individual must, among other things, be a U.S. citizen or a non-citizen who has been lawfully admitted for permanent residence in the United States. The alien fraud which the OIG has continually uncovered is simple. In most cases, persons who are neither U.S. citizens nor lawful permanent residents are claiming such status on their student aid applications (and/or related documents) and thereby receiving funds to which they are not entitled. In one such case, the suspicions of a college financial aid specialist who noted similar handwriting on five applications led to the arrest and conviction of an ineligible alien who used forged identification cards to apply for over $42,000 in Federal student financial assistance. The alien, a cab driver who admitted using 15 different aliases to apply for and receive 30 Pell Grants and Guaranteed Student Loans (GSLs), was apprehended while attempting to claim a check at the bursar's office. He pled guilty to charges of theft, was sentenced to four years in prison and was ordered to repay $27,749 in fraudulently obtained funds - the total amount he actually received before his arrest - to the Department of Education. The following are similar cases.

- A Federal grand jury returned a 12-count indictment during April 1985, charging an alien medical student with SFA fraud and making false statements on financial aid applications. The student received in excess of $100,000 in student aid from five different ED programs and two programs of the Department of Health and Human Services. The subject claimed to be eligible to participate in the programs when he was not. He pled guilty to all charges in October 1985.

- During August 1985, an individual was sentenced to serve a 10-year prison term for falsely claiming U.S. citizenship on applications for student aid. The subject received over $22,000 in GSLs and Pell Grants from colleges in four States. This joint investigation with agents of the U.S. Secret Service also included allegations of theft of U.S. government securities and credit card fraud.

In addition to directly claiming citizenship or eligible alien status to fraudulently obtain Federal student aid, some non-citizens enter into sham marriages in an attempt to establish eligibility. Many aliens of college age enter the U.S. using student visas and are not eligible for Federal assistance. However, an alien who marries a U.S. citizen may apply to the Immigration and Naturalization Service (INS) to have his or her entry status adjusted so as to become eligible for the Department's student aid programs.

The OIG has investigated a number of instances where sham marriages were used as a device to gain eligibility for Federal student aid benefits. In sham marriages, a license is obtained and a civil ceremony is usually performed. However, the pair has no intention of living together as a married couple. In most instances, the alien is a male who is willing to pay a fee to a U.S. citizen if she will marry him. The marriage documents are presented to the Immigration and Naturalization Service when the alien applies for a change in status which would make him eligible for financial benefits such as Federal student aid.

Examples of OIG cases involving sham marriages follow.

- During April 1985, eight aliens and one U.S. citizen were indicted on charges of making false statements and conspiracy. These individuals were part of a marriage ring organized by the U.S. citizen, who acted as an "arranger" by bringing alien men together with prostitutes. The women received a fee of approximately $300 to get married and appear at an Immigration and Naturalization Service office to affirm that they had married the alien men. The scheme came to light when a local judge noticed that an unexpectedly large number of local prostitutes were marrying alien men. The wedding arranger pled guilty to charges of conspiracy.

- An alien who entered into a sham marriage was found guilty of mail fraud and conspiracy during May 1985. The individual received Federal student aid by applying as an eligible alien. He was sentenced to pay a $500 fine, make restitution in the amount of $1,000 and remain on probation for three years.

- During August 1985, an individual pled guilty to charges of mail fraud in connection with his sham marriage to a U.S. citizen. The subject's wife admitted receiving a fee to participate in the ceremony so that the subject could become eligible for various financial benefits, including educational benefits. The subject was sentenced to four years incarceration and a $1,000 fine, and was ordered to pay $7,289 in restitution on the educational benefits he received from the Pell Grant, GSL, and Supplemental Educational Opportunity Grant programs.

- During July 1985, an alien subject was convicted by a jury on charges of making false statements on applications for student aid and conspiracy to defraud. The subject entered a sham marriage with a U.S. citizen which was arranged by his legal wife. His legal wife paid the sham wife $300 to participate in the ceremony. He received approximately $9,300 in GSL funds. The subject was sentenced to serve six months incarceration and 18 months probation.

In addressing the problem of Federal student aid fraud, particularly that which is committed by ineligible aliens, it has been and remains essential for the Office of Inspector General, both in headquarters and in our regional offices, to establish and maintain close working relationships with other Federal agencies and with others in a position to detect and prevent such criminal activity. Development of investigative cases regularly involves the cooperation of the Immigration and Naturalization Service and prosecution of these cases at the Federal level is dependent upon action by

U.S. attorneys throughout the country and of the U.S. Department of Justice Criminal Division.

In a somewhat different type of cooperative effort, currently in the planning stage, the Education Department OIG will be the lead agency in a project to review immigrants receiving Federal financial assistance. This project is sponsored by the President's Council on Integrity and Efficiency, and will commence in 1987. This project may result in recommendations for legislative and/or regulatory changes in a wide range of Federal domestic assistance programs in the near future.

Cooperation in detecting and preventing ineligible alien fraud spans beyond Federal agencies. We have long recognized that the key to prevention and detection of student aid fraud, including fraud committed by aliens, is in the hands of those who are directly responsible for the administration of the assistance programs. We have had and will continue to have extensive contacts with higher education institutions, particularly student aid officers, and lenders who initiate student loans, to apprise these officials of the existence of and potential for fraud and of means by which such criminal activity can be held in check. These individuals represent the first line of defense against fraud and are learning to recognize the signs of ineligible alien fraud. In cooperation with the Education Department's Office of Postsecondary Education and with input from organizations representing college and university financial aid officers, we have recently issued a "Special Fraud Alert" brochure which is being distributed to over 27,000 "front line" officials to alert them to the potential for student aid fraud. This is one element of a larger Fraud Awareness Campaign which is directed toward entities and individuals that administer or benefit from Federal student assistance programs.

Through promulgation of program regulations, the Education Department has the authority to direct the management of student financial assistance programs within limitations of Federal law. The Office of Inspector General has in recent months suggested and the Department has agreed to regulatory changes which will reduce the potential for ineligible alien fraud. One such suggestion recently incorporated in the regulations for the Pell Grant Program requires aliens who claim non-citizen eligibility status to provide INS documentation of such status when applying for Pell Grants. This change prevents ineligible aliens from receiving assistance grants merely on their own statement of eligible status.

A second regulatory change recommended by the Office of Inspector General is to require college and university officials who suspect fraud in a student's application to report such suspicion to appropriate State or local law enforcement authorities for investigation. This new requirement, which the Department plans to publish in the near future, will serve to bring additional investigative resources to bear on the problem of Federal student aid fraud, including that committed by ineligible non-citizens.

Recently enacted changes in Federal student aid legislation will also help to reduce the potential impact of student aid fraud. Requirements that loan checks be made co-payable to the student and the college or university, and that students receive aid funds in multiple disbursements were included in Federal legislation enacted this year. These legislative changes will prevent students from obtaining funds unless they actually appear at the school and will allow students to receive aid only as it is needed to pay for actual educational expenses. The multiple disbursement requirement will reduce the amount of student aid funds subject to loss at any one time.

In summary, we reiterate that fraud committed by ineligible aliens against Federal student assistance programs is a problem. While much has been and is being done to eradicate this problem, more is needed. Success in addressing student aid alien fraud will increase as cooperation among involved Federal agencies and between such agencies and "front line" student aid officials increases. Prevention and detection of this criminal activity must happen at the school and lender level, with leadership and support provided by all branches of the Federal government.

We appreciate the opportunity to provide this statement to the Subcommittee describing our experience with ineligible alien fraud, and stand ready to assist your committee in any other way possible.

COMMONWEALTH OF PENNSYLVANIA
HIGHER EDUCATION ASSISTANCE AGENCY
TOWNE HOUSE
HARRISBURG, PENNSYLVANIA 17102

KENNETH R. REEHER
EXECUTIVE DIRECTOR

Received by
Subcommittee on Investigations
SEP 05 1986

August 26, 1986

Senator William V. Roth, Jr., Chairman
Committee on Governmental Affairs
Senate Permanent Subcommittee on
Investigations
Washington, D.C. 20510

Dear Senator Roth:

Thank you for your letter of July 3, 1986 inviting me to submit a written statement pertaining to this agency's involvement in detecting student financial aid fraud committed by foreign students. My statement is attached.

As you can see, this agency is very active in investigating and prosecuting not only foreign students, but other individuals who attempt to defraud the federally funded and PHEAA-administered programs of student financial aid. Our statistics reflect the success we have had in this area.

Please do not hesitate to contact me at (717) 257-2502 if you or your staff have any questions or need any additional information.

Sincerely,

Kenneth R Reeher
Kenneth R. Reeher

KRR/cab
52/860718/1
Enclosure

THE PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

(PHEAA)

The Pennsylvania Higher Education Assistance Agency was created by an act of the Pennsylvania General Assembly on August 7, 1963. That enabling legislation established the Agency as a public corporation with the purpose of improving higher educational opportunities for residents of Pennsylvania by assisting them in meeting their expenses of higher education and by enabling the Agency, lenders and postsecondary institutions to make loans available to students and parents for postsecondary education purposes.

The governing body consists of a twenty-member Board of Directors. Eight members are appointed by the President Pro Tempore of the Pennsylvania Senate eight members by the Speaker of the Pennsylvania House, and four members (including the Secretary of Education who serves ex officio) are appointed by the Governor. Those appointed by the Speaker and the President Pro Tempore only hold membership on the Board while they remain a member of the House of the Pennsylvania General Assembly from which they were appointed. The day-to-day operations and functions of the Agency are administered by an Executive Director appointed by the Board of Directors.

In the ensuing years, the General Assembly has added additional student financial aid programs and other administrative tasks to PHEAA's assignments including the State Grant Program, a student work-study program, the Institutional Assistance Grants Program, and a program to help computerize instruction in Pennsylvania's elementary and secondary schools. It has given the Agency authority to sell tax-exempt bonds in order to make supplementary (non-federal) student loans. In consequence, PHEAA now is responsible for the administration of more than $800 million in state student and educational aid each year.

In 1977, the General Assembly of the Commonwealth of Pennsylvania enacted legislation enabling the Agency to form an investigative unit with full law enforcement powers to investigate and prosecute persons who fraudulently obtain or attempt to obtain financial assistance through the PHEAA-administered programs of student financial aid. At that time the Agency established a Program Review Unit, the functions of which are two-fold, namely: to investigate and prosecute persons who fraudulently obtain student financial aid, and to conduct Program Reviews at lending and educational institutions participating in the PHEAA-administered programs to insure that these institutions are complying with federal and state laws, regulations and guidelines.

This and subsequent legislation enacted by the General Assembly also authorized the Agency to garnish the wages of individuals who default on student loans and to civilly prosecute individuals who fraudulently obtain student financial aid for up to as much as three times the amount involved. Since the Agency began garnishing wages, its Legal Services Section has collected over $9,520,500 through the attachment of wages. The Agency has recovered over $5,762,000 through other civil prosecutions, and claims for treble damages were recently initiated and are pending in civil court.

Recent federal legislation has authorized agencies such as PHEAA to offset individual federal income tax refunds to collect defaulted guaranteed student loans. To date the Agency has recovered in excess of $6,200,000 through the various processes of the IRS tax refund program.

Since its inception, the Program Review Unit has initiated over 1,800 criminal investigations involving allegations of possible misuse of state and federal financial aid funds. As a result of civil and criminal prosecutions and out-of-court settlements, over $1,073,144 in restitution was ordered. Approximately $520,275 of that amount has actually been received and the Agency is actively pursuing collection of the balance of $557,486.

In 1981, PHEAA was made aware that foreign students (primarily from Nigeria) who were attending school in the United States on student visas, were submitting student financial aid applications falsely claiming either that they were U.S. Citizens or permanent resident aliens and thus eligible for student financial aid. (The original scam was uncovered in Rhode Island and was dubbed "Project Rhode Island". The name was later changed by federal authorities to "Project Blue Hen"). The applicants otherwise could not have received aid because foreign students are ineligible for financial aid. Criminal investigators assigned to PHEAA's Program Review Unit, U.S. Immigration and Naturalization Services, the Inspector General's Office of the U.S. Department of Education, and the U.S. Department of Health and Human Services, and Special Agents of the FBI, formed a joint Task Force to investigate and criminally prosecute any foreign student who fraudulently obtained either state or federal financial aid. The alien student problem project in Pennsylvania was given the acronym "STARSCAM" (STudent Alien Registration SCAM).

As a result of the first phase of investigations conducted by members of the Task Force, more than forty foreign students have already been prosecuted for fraudulently obtaining student financial aid monies. Many of the students prosecuted were from Nigeria and most of the others were from other African nations.

In 1985, the Joint Task Force concentrated investigative efforts on foreign students who married U.S. nationals in order to become immediately qualified as permanent resident aliens. As such, the alien student would be eligible for student financial aid as well as other state and federal benefit programs.

To date, PHEAA's effort in the 1985 phase of the investigation disclosed that out of several thousand accounts reviewed, forty-five foreign students fraudulently married U.S. nationals or fraudulently claimed to be U.S. citizens in order to become eligible for benefits. Twenty-three of the forty-five cases involve Nigerian nationals. The remaining students originated from the African nations of Sierra Leone, Ghana, Liberia and Togo. Many of the sham marriages were arranged by U.S. nationals for a fee. The results of these investigations have been referred to the United States Attorney's Office, Eastern District of Pennsylvania, for prosecutory review. Should the U.S. Attorney's Office decline prosecution of all or some of the cases due to a limited staff, because only small amounts of funds were disbursed, or because the cases include both state and federal funds, PHEAA will refer them to the local District Attorneys in Pennsylvania for prosecution. If criminal prosecution is not warranted, recommended, or successful, the Agency will initiate civil prosecution to recoup monetary losses.

The Agency does not consider the foreign student problem in Pennsylvania to be a serious one, but has implemented sophisticated procedures to assist in preventing foreign students from fraudulently obtaining financial aid. These procedures appear to be working, but it is recognized that no procedure or method can be implemented that will absolutely prevent individuals from illegally obtaining financial assistance if they purposely set out to defraud or abuse the programs of student financial aid.

One recommendation that might be considered is to prohibit foreign nationals from obtaining student financial aid until they have resided in the United States for at least two years and their petitions for permanent residency status have been approved by the U.S. Immigration and Naturalization Service.

52/860718/2

Received by
Subcommittee on Investigations

SEP 17 1986

September 16, 1986

William V. Roth, Jr.
Chairman, Permanent Subcommittee on Investigations
United States Senate
Washington, DC 20510

Dear Mr. Roth:

Visa Security has representatives to cover each of its five Regional offices, which include Visa U.S.A., Canada, Latin America, Europe-Middle East-Africa, and Asia-Pacific. Their primary responsibilities are to provide close liaison with Member financial institutions and law enforcement agencies and to coordinate activities between the two when necessary. A constant review of Regional systemic problems is made and discussed with appropriate Member financial institutions and law enforcement agencies. When requested, assistance is provided to law enforcement agencies. As such, Visa does not directly conduct investigations on credit card fraud. This is the responsibility of our Member financial institutions, which number more than 17,700. They are responsible for issuing the Bankcards and monitoring individual cardholder accounts for fraud.

With regard to Nigerian fraud activities, Visa has no specific statistics; but we are aware of such activities from time to time due to arrests and information from our Member organizations.

We are aware that Nigerians have been involved in credit card fraud consisting of fraudulent application schemes using either true names of real individuals or fictitious names. These schemes apply to anyone committing fraudulent application schemes and do not appear to be isolated to any particular ethnic group.

The biggest problem we hear from our members is: "How do we recognize a fraudulent application submitted by a Nigerian? What characterizes their applications?" The answers to these questions are difficult as there is no fool-proof method of determining who orginated the application. In some instances, nationality or background is evident by certain characteristics in penmanship.

Fraudulent credit card applications fall basically into two categories, true name and fictitious. True-name fraud applications are perpetrated by using another person's personal identifying information including name, occupation and financial background. The only variation is the address to which the credit card would be mailed and telephone number which may be used to verify applicant. Also, under true-name fraud applications would be pre-approved applications which the pereptrator would file, changing the address to which the card would be mailed.

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Mr. William V. Roth, Jr.
September 16, 1986
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Fictitious fraud applications require more effort on the part of the perpetrator. In this situation, he must create an individual for purposes of obtaining a credit card.

The banking industry, needless to say, is concerned and is paying more attention to credit card applications, screening them more thoroughly by utilizing both manual and automated processes.

In those instances where Title 18 is applicable, the U.S. Secret Service has been active in the investigation and prosecution of fraudulent application schemes. The U.S. Postal Service has also been involved through mail fraud statutes.

Visa maintains an ongoing liaison with all federal law enforcement agencies. We have provided assistance when requested and in some instances have provided the initial information to law enforcement agencies leading to the curtailment of illegal activity.

As mentioned earlier, it is difficult to determine the perpetrator in fraudulent application schemes through ethnic characteristics. As the Nigerians become even more sophisticated, they will eliminate these characteristics which identify them in fraud applications making it more difficult to detect such fraud.

Visa will continue to support Title 18, United States Code, Section 1029, entitled "Credit Card Fraud Act of 1984" and to lend support to the law enforcement agencies requesting assistance.

Sincerely,

Allan Trosclair

Allan Trosclair
Department Head
Security, Investigations

AT/bam

Transcript of taped conversation between Sgt. Richard Sullivan and a Confidential Nigerian Informant, regarding East Baton Rouge Parish Sheriff's Office, April 16, 1986, in response to questons submitted by Barbara Cart, Senate Investigation Committee.

Initial discussion regarding the Nigerian tribes. (cont'd at #100)

Q. What is basically the reason for coming to the United States?

A. Education.

Q. What is the source of money?

A. Okay, most students, you know, most students are private students. They think they have more private students than our government sponsored students. The government, the government sponsores students, you know, sometimes come down here, you know, they don't, basically they don't graduate on time. And ah, mostly some of them graduate, they don't even want to go back. Cause the cost of (UI) the, the years in getting the financial aid they don't like it, they just got it just to get it. But most, mostly the majority of them are private students. That the sponsor man carries, or just some of them just come around, they don't even have no person sponsoring them.

Q. Is the money through, the money that they getting, is that through legal means, or...

A. The money that they get from Nigeria?

Q. Yeah.

A. Yeah.

Q. Or is it through fraudulent?

A. Truly government, they get money from home.

Q. I mean how do the parents get it over there? I mean...

A. Most people, most people are from wealthy family. But some of them just sponsoring themselves. Some of them, you know they come down here, they can get no money from home. So I think that's why they do it all the time, you know to make money. But basically, as of now, for the past two three years its a problem getting money out of the country.

Q. Is that because the parents don't have it, or is it the governments controlling the money?

A. The government controls the money. Can't get money out of the country. Unless its been approved by the Central Bank and sometimes it takes a year.

Q. Okay, you don't get any money out of the country, unless its approved by the Central Bank and it takes approximately a year.

A. That's if he's been approved. They might not even want to approve it at all, unless he may be bribed or you know, bribe...

Q. You might have to bribe an official to get the...

A. Yeah, three thousand dollars. Three thousand (UI).

Q. Fraudulent documents...

A. Birth records.

Q. Can you get fraudulent birth records?

A. You can get any documents in Nigeria. Any documents.

Q. How do you basically go about doing that?

A. You just have to have the right connection. You know, like people walk into those offices and (UI) and so, most of them are broke their wages are so low. So what ever you are offer they are ready to take it. It can be any document. Very easy.

Q. So, in other words, you go in and you tell the person I'll pay ya how much...

A. I'll pay you three hundred naira, that's about four or five hundred dollars. Give you any document you want from where he works at. Even to get an approval to remove money overseas. You pay three thousand dollars, you don't need to (UI). But if you don't pay, you don't get it, the more you wait. So, just depends on how much money you got. That's where they control the country. If you don't have money, you can't do nothing.

Q. How about obtaining the documents in the United States?

A. Obtaining documents in the United States...

Q. Like birth certificates, green cards, passports, etc.?

A. I think that's easy too. Cause I've seen, you know lot of people have fake green cards and they be caught with it around (UI). They know where to get it from. Even driver licenses. Some of them can even obtain driver license and you know, State ID. Legally, but with false documents. Its very easy.

Q. How do you get -- if you wanted to go get a green card, how would you do?

A. How...I don't know about that. But I know they do.

Q. Who would you go -- who would you go to...

A. To get a green card?

Q. Yeah.

A. You know, you see the way they are (UI) is when, somebody discovers something he can not spread it around, you know, telling the police how he goes. So a lot of people pay the guy, you know, he (UI) or whatever.

Q. Is that an Nigerian or is that an American...

A. American are involved too, because there is no way Nigerian can get it.

Q. Yeah, but I mean is there a Nigerian go between or are you going directly to talk to the...

A. But most of the Americans you deal with, won't even deal with (UI) fifty thousand dollars. Unless through somebody that he trusted.

Q. Question number three, the Nigerian fraud group, is there a formal or informal organization?

A. There's no formal organization or informal organization. See the way they are put these days, when somebody discovers a source of making quick money, he spreads it, you know like to his friends, partners and all that. Says this is the easy way. He would be friends and I would have to follow his foot steps and I do the same thing. So its not really like, you know previously they said, you have an organization at home, that does all that, you know kind of trained him and they don't have none of that. They learn it here. They discover ways.

Q. Okay, but when we talked in the past, you said that there maybe not at the present but at one time they were training people on fraud procedures in Nigeria before they came here.

A. Can't remember that.

Q. Okay, when we talked about the other case, you said that there was a group of people that were doing these credit cards.

A. Yorubas.

Q. And there was the main man was, who's name you didn't know or we will leave off of this tape right at the moment. Living in Atlanta.

A. Georgia.

Q. Who?

A. Altanta, Georgia.

Q. Atlanta, Georgia. And that there was people that work for him and we used the term of "area lieutenants."

A. Okay.

Q. And it was their responsibility to go to different states...

A. Different states...

Q. Different states...

A. To make the money...

Q. And make the money, and then take it back to Atlanta. And we have dealt with one of those individuals already.

A. Right.

Q. Okay, what was the, what was the basic, why don't you go over that basic structure...

A. Okay, the way to do it is this. Okay this guy, you know, they have a whole bunch of them that (UI) has, you know. They have some in Atlanta, Houston, basically Houston, California, you know, New York. You see what they do is apply for these credit cards. All kinds of credit cards, Visa, Master Card, any kind it was fraudulent. All kinds. So what they do is this. They apply for it, and deposit to somebody else who goes to different states. You know, has connections in other states, give it to somebody down there to use it, make ID's for it, open you know, checking savings account, you know do whatever you want to do to make some money out of it. They do that.

Q. Okay, so there is a...

A. There's a connection...

Q. There is a structure...

A. The way they operate down here, but its not that they were trained from home. They just know each other (UI) make the connections.

Q. Okay, they have a structure, but there's also people who go out and do things on their own as well?

A. Right.

Q. Okay. Is there any type of oath of silence? In other words, if you get involved with these people or whatever, that...

A. You get caught, you don't mention names. But some people still do. You know.

Q. But there's no specific...

A. No specific oath.

Q. Okay. Is there any type of religious or tribal influence?

A. Yeah. Yorubas mostly. Cause they are the ones, basically they have all the connections.

Q. The who?

A. The Yorubas.

Q. The Yorubas?

A. Yeah. They know how, they have the connections, see most of them have been here before previously before, okay see, basically the Yorubas, Ibo and the Hausa, really force people to come to the United States. Right from the early times. But people from early stage are just being the early 60's, 70's and that's how they come into the United States to go to school. So, most of the Yorubas have been here for a long time you know, from (UI) and (UI). You know, you don't need to work, there are ways of making the money. They tell them if you can't afford this, do this, do that. You know, they do it, and most of them they quit, they don't work.

Q. Okay is there any, in other words if ah, if a home boy comes to you and wants to do anything is there any type of loyalty or responsibility that compells them to get involved against their...

A. Will...

Q. Not against their will, but ah lets say their up-bringing, as far as their parents brought them up to be honest and truthful, whatever, ah then once their here and somebody ah another home boy or whatever, or other tribal -- you know somebody that comes from the same tribe. Do they feel compelled to work with and do what this person asks them to do?

A. Okay, its not that they ask them to do it, you know, its been the kind of work they do, when they see the way the other guys living. You know, see the kind of materials he got and all that stuff. Say hey you going to be asking him, hey man what's going on, he's going to tell him don't worry I put you through, I'll fix you up. And he fix him up. That's basically how they do it.

Q. How do they ah, how do they meet? Do they meet in school or churchs, or....

A. In school....

Q. Student associations...

A. Parties...

Q. Parties...

A. (UI) no choice or nothing like that. They meet in school or like if they have a party in Houston or you know, you might say lets go to the party in Houston. And we go over there and met a lot of guys. Look at the kind of car they drive, the way the dress especially, you know. That's how they meet.

Q. So in other words, what you are saying is that, once they meet this person who has been here for awhile...

A. Yeah, he's...

Q. And they look at the material things that he has, such as cars, stereo, T.V., etc. And then they ask...

A. What's happening...

Q. You know, how they're doing it or ah...

A. You see, you might know somebody that's from a very poor home. Somebody that you never thought was going to be able to make any money. No matter what kind of education he got. But you going to see him, he doesn't get money from home. Drives in the cities, own apartment complexes and all that, and you going to be forced to say hey man what's happening, you know. He's going to tell you, um, you know I'll fix you up. (UI) have some restrictions. Um like say, this guy might not be trustworthy or something. But as soon as he becomes familiar with you or (UI) one of previous state. You know they ask you which banks, have 24-hour cards and all that and things like that.

Q. Okay in other words in one respect, they are recruiting these people...

A. Ya, indirectly...

Q. By saying look, this is what I have you can have the same thing, and then that person trains that person...

A. Yeah, trains thats a...

Q. In how to use the different fraud schemes, be it credit cards, checks...

A. Banks...

Q. Banks, whatever....

A. Yeah. So then he says okay I want to be, you know man, he says okay I'll come to your state. You just give me a call he comes down, operate everything take you along with me.

Q. And this is after, in other words there's a basic procedure of, a time frame which is determined by the person who's doing the training, as to when they let the person in on what level that there dealing with. They have to establish the trust first.

A. Yes, see basically what they do they might start with the little ones, like credit cards, you know writing bounced checks and all that under a different name. Okay, but as soon as they learn that, they know that you, you are trust worthy you know you can give them any information you know and all that. They start you in on the one for the bank. Then they start, they they deal on the bank. I don't know, I can't, they was they do the bank is this. They open a checking and savings account you know, draw some checks (UI). The ones do that the bank did. Most of the banks some of them are so, you know, I don't know if I can say stupid you know, they can not credit it. And this guy goes in and the next day and make a withdrawal. Maybe nine thousand dollars because they say they can't give more than ten thousand dollars because you have to fill (UI) something like that. They go below the limit, where they don't have to, have any problem. I go there withdraw three thousand dollars at a time then they leave come back the next day, you know start using the twenty-four hour card to get the money out, until the bank (UI), the check they drop is bad check. Then they already got the money they want.

Q. So basically, its what we call a check kiting scheme. They bounce some checks back and forth...

A. Right. Its not, some of them they steal checks from the mail. They have many people working for them, that intercept the company checks and all that.

Q. Okay, so there, they have mail people that are working for them?

A. Um, Um. Americans do. Especially in Houston, see they intercept a lot of mail there, so oh God. Even they have a lot of Americans do the same thing.

Q. Okay, so you said that there's people that are working in the Post Office and there're intercepting these checks....

A. Some checks, for them...

Q. And they get some checks and then they give it to them, and...

A. They go ahead and run it. They will (UI) do it without pay them you know. Like basically another one that is bound to happen soon as people (UI) doing it. Okay, like I had, you know, when we were on campus one time, people were talking about it, you know, see like this income tax. Okay, when the income tax start coming in they are just intercepting them. And because its easy for them to cash. Because they can get drivers license they want. They can get that, legal one. But, its in the name of the check is on. They take the check to the bank and cash it. You see what I mean?

Q. Um, um. Where does the money go that they get?

A. They use the money down here, especially most of it. You should see most of them do what they like. To look flashy. You know. Waste money on an expensive apartment, use the money to buy a special car, jewelries, wrist watches.

Q. Do they have...

A. Clothes...

Q. Do they have to pay off the guy that trains them?

A. I don't know -- I don't think so. Cause the guy that trains them, he don't even know what they doing.

Q. Well, when he's training them, you know they're getting a certain amount of money when they're training them. He doesn't get a percentage of that?

A. Of what he makes? For a while he do.

Q. When um, on the other deal, do you know where the money was going?

A. On what?

Q. In other words, that when these, like I said, we used the words "area lieutenants," when they come and they got the money...

A. They give it to the other guy, they split it.

Q. Is it split there, is it going, is it going back over-seas into accounts in other countries or are they using it to um, support or buy narcotics or...

A. That's what I don't know...

Q. You don't know that?

A. Cause drugs, what most of them don't even want to get involved in drugs, some of them still do.

Q. Okay. The, what do you know about the the Nigerian Embassies, or consulate in this country? Um, do they help in financial aid or getting scholarships?

A. No. Nigerian government, basically what they do, they only support the federal government student that was sent by the government. And this they have been you know getting approvals and all that. They don't do nothing else.

Q. Okay, what about the the deal where if you get into trouble over there where you can call the...

A. Nigerian Embassy...

Q. The Nigerian Embassy.

A. That's what its suppose to be.

Q. Who do you call?

A. Call the consulate, who belongs to you, that you in trouble. And he gets any help he can renders, you know like, you be a lawyer. They see that you not guilty, they can you know, give you lawyer and all that. But if they know that you guilty, there's nothing they can do. Cause its not under their jurisdiction.

Q. What about in New York? Do you know the name of any of, these two names right here? What's that Aboaki?

A. Aboaki. I don't know...

Q. Aboaki...

A. Akinwale Thomas, no.

Q. Okay. You never heard of them working in the Nigerian Embassy in either in New York or Arlington, Virginia?

A. No.

Q. Okay. Do you know people who when they go to school, that's what they call entitlement fraud. They get you know phoney student loans, ...

A. Um, Um...

Q. Housing, and assistance. How do they go about doing that?

A. Okay, see mostly like they get a student loans are married. You have to a green card to get that. To qualify for that. But some of them still have a fake green cards. Where they use to (UI) their school fees and get a student loan. See (UI) student loan they don't even know which one is fake. So I can present it and look the same. You know, it don't even have no way of checking the record to make sure that the green card you brought its funny. You know.

Q. So, in other words before you get the student loan you have to get a...

A. Green card...

Q. Green card. And so you get a phoney green card...

A. Um, um. Take it to the school and make a photo copy of it and get a student loan.

Q. Okay. And that here again goes back to you getting that through however people are contacts and say you want to get a green card or -- Is there any body that comes to you and say well we'll give you a green card and you're going to get a student loan and then for that we want so much money?

A. I don't know about that.

Q. Okay. Is there any people in the schools here that you know you can bribe them to get the student loans?

A. I don't think you can do that. (UI) I don't know if you can do that. Maybe in other states. Maybe in other state, maybe in other schools, I don't know...

Q. You haven't heard of any it in any...

A. No.

Q. Okay. And how do they go about getting welfare, food stamps, and public housing and things like that?

A. Public housing, you know they can get that if you have a green card. Same as food stamps.

Q. Do a lot of people do that?

A. A lot of people? No. No food stamps, maybe public housing.

Q. How about welfare?

A. That's food stamps, right?

Q. No, welfare is a money that the state pays...

A. You...

Q. Pays you and then they you know based on what your earnings are, then they give you...

A. No, I've never heard of any of that. See they don't do, they don't even want to be involved in all those things. Because, people laugh at them, you know. They won't even do it. But what they do is banking, credit cards and all this all kinds of student.

Q. Okay. On now let's go over again this is the question number six. The methods for obtaining the bank cards, department stores credit cards, oil company credit cards, how do they do that?

A. They apply for it and get it.

Q. In other words they're applying for it under...

A. Fraud names...

Q. Fraudulent names, and...

A. Fraudulent ID's...

Q. ID's...

A. When it comes they take the card they get a birth certificate. And a photo ID. Take the photo ID and birth certificate drivers license office. Get a driver license for it. Get a cash advance or whatever. Use it to buy properties and resell it.

Q. You'll resell the car?

A. No, we resell the properties.

Q. Oh, resell the properties. Okay we heard about the insurance fraud. About life insurance.

A. Yeah, you can obtain a birth certificate any time to want to in Nigeria. There's no document you can not obtain in Nigeria. Passport, birth certificate, anything. If you have the money to spend. Its just a piece of paper. You can get it any time. You see I heard about people go back home you know obtain a life insurance down here. When they go back home they get the death certificate take a picture of a car wreck send it to their wife down here and their wife takes it to the insurance company and claims the money. She go back and make it. People do that all the time. Its all in New York and Georgia. I hear about it.

Q. Do they do, do they do the same thing with like household goods, and...

A. They do them a lot here. Some of them buy a lot of property, they insure it and send it back to Nigeria. Collect the money back then from the insurance company.

Q. What about, what other things do you, do they do with...

A. (UI) You know some of them, I'll tell you another one that they do mostly right now. They take their car put it in the warehouse, lock it up in the warehouse. I mean you, you should go to the warehouse, right down (UI) right now, you going to see a lot of cars. They when they tell the insurance company the car is missing, they pay for storage and put the car in the warehouse. You see, they get the money from the insurance company. You go in (UI) right now they got a warehouse down there (UI), by (UI) place or auto company, Ford motors (UI) they all put in there. Check the whole warehouse you going to see lot of cars they say have been stolen. So they do that all the time. You see the problem, I just you know don't want to be there.

Q. Okay. In other words we had talked before ah, about a lot of the property, TV, stereos, all that is brought, and they're shipped to Houston.

A. Um, um. Then from there shipped to Nigeria.

Q. Do you know where they take it to Houston?

A. They have an apartment where they ship things out. Two weeks, four week they get to Nigeria. Houston, New York. Some of they fly with it. Excess luggage.

Q. Who, do you know who is involved in it? Do you know, would you know who to contact over there?

A. In Houston? They have some Lebanese that sold it that I heard of. They for it to but they want to deal. And if you want me to find out you know all I have to do is, you know, like try to ship something. Then I'll know who to deal with, when I find, when I tell some guy, they give me the connection. And once the guy do it, you know, then I'll let you know. It's easy to catch them, you know. It's just going to cost money.

Q. Who's at the other end, do you know, in Nigeria? Where does it go in Nigeria?

A. It goes to the (UI). Let me tell you what happen. The government already says right now that, they can't give you any finance check to anybody who wants to buy things from overseas. But if you bring things, then they can let you bring it in. So really what they trying to tell them is they can go ahead and commit all kinds of crime they want to. So long as they bringing the stuff back to the country. You see, you know.

Q. Do they have to pay anybody on the other end?

A. Pay who? To let them take it into the country? No. You can take anything to the country. As for as you don't use the money from the country to buy the goods. That's the new law.

[Side 2]

Q. In other words what you are saying is this way. The new law in Nigeria is this way. You can't use any Nigerian money to buy...

A. To buy any...

Q. To buy any goods and bring it into the country.

A. No. See, the government won't give you, you can have an export and import license, right. Here in Nigeria. But the government won't give you the finance to buy the things you want to import. Let's assume you want to buy VCR. They won't give you the money. They won't let you make any money outside of the country to go buy the VCR and bring it in.

Q. Right...

A. But, you can bring the VCR in. They ain't got no problem with that.

Q. They don't have any problems as long as you don't spend Nigerian money...

A. Money, to buy it...

Q. To buy it...

A. See they talking financing. You can't get no financing. (UI) people in countries. So how they want you to buy it I don't know. They know. They know how they, people can buy anything here. They can use the charge card to buy as many TV's they want. They can get cash advance from the charge card. They can get they can open a checking account in a fraudulent name. Write checks. A lot of things happen. They buy this stuff, ship it back home.

Q. What about, what about narcotics?

A. I don't know about that, man. I don't nothing about that. You hardly, hardly see, most of the real narcotics down here, but some of the do. They sell weed. That's not same as narcotics, right?

Q. Yeah, mainly what we are talking about is like cocaine, heroin.

A. I don't know nothing about that. But I know some of them sell weed down here.

Q. You don't know anybody that, that's doing...

A. Cocaine...

Q. Cocaine or heroin?

A. No.

Q. You haven't heard about anybody bringing the stuff in or whatever?

A. I heard people bringing in from New York.

Q. What do they bring in from New York? Heroin or cocaine?

A. Cocaine. See I think, what I had was they have a stop over. Like they take it from Columbia or anywhere they bring it from. Drop it over in Nigeria and they . to United States and Europe. Cause one time, you know, they didn't suspect none of those coming out from there because the country wasn't it, the people weren't even dealing with drugs down there. But they do now. Cause in my country people don't use cocaire. They don't even know what it is. And so (UI) left the country. Now see another thing they do is, this you can deport me today, but I can come back next week. That's easy. People they not scared of deportation no more. Cause, they can come back. Get a new passport. They have somebody working on the Embassy in America, working in the Embassy themselves, the visas for about three thousand naira. You know. So, that's no problem. Most of them not scared of deportation no more, they know they going to come back.

Q. So there's people in the American Embassy...

A. Yeah. You can buy a visa down there.

Q. What you say, three thousand naira, which is about what...

A. Six thousand dollars. They doing it. A lot of them they would be deport in Houston, they came back. Even (UI). They were deported for credit card, all kinds of...They back again, different name.

Q. So, they got different names and they are back in the country?

A. Its very easy. There's no problem there. A whole bunch of them are back here again. Deported. So most are deported, they go in the Embassy because they, I think they might be able to even manufacture it. May be able to make to make the visas. They can do it. There's nothing you can't do in that country. They can even make dollars. They were making dollars one time. Sending dollars down here and they would copy down there. They go to Hong Kong to print dollars. You know, I know basically the government wanted to stop all this they can do it. It's just going to cost them. Its going to take a lot of money. Cause they got it started from the root to try and stop all of it. And they won't, they just right now people just be doing it, whole bunch. That's way they make quick money, not credit cards and all that..

Q. In other words, now they're making the credit cards?

A. They can even make it. All they need is the number. You know those numbers like you order toll free? They have people that walk out toll free. You know they have the connections.

Q. So in other words, these toll free when they call in or whatever, they get the credit card number...

A. From the people down working toll free. They might have connections there. This women give give them toll free, the credit card numbers..

Q. So then they take that and make up a credit card...

A. Make a credit card. They make it even in Houston. They have some Puerto Ricans that make it for them. Mexicans too.

Q. So the Puerto Ricans and the Mexicans are making the credit cards for the Nigerians.

A. Even in Houston. They even make them back home, I think they make it back home. I'm not aware of people saying that. So all you do is you give them the number and the kind of credit card, and they make you one. Expiration date and all that. They make you one, you take it you open account you know, start charging on that account. You do that. That's all they can do, really. They going to get any document they need.

Q. Is there anything else that you know about that they're doing?

A. Let's see. Telephone calling cards. They can get all calling cards.

Q. How do they do that?

A. The way to do that. I don't know how they normally get it. But I know I can get it if I want it. I mean for long distance. All I have to do is I see somebody, hey man, you have a long distance number? He give you one. You see this is MCI and the other one you call toll free. People don't even pay for long distance no more. Because they can get it. I think they have connections with people that work at the telephone company. Like when you, assume you use your credit card to make your long distance call tomorrow you know. Sometimes you have to call the operator and say you charging this call to your number. Then you give her the number and everything be made, you know. So most of the women (UI) they have the (UI). You can get long distance calling card from New York. Even (UI) anywhere. They give it to you, you use it until its no longer working on the phone number. So basically, you know all these things for them to stop you. It takes a lot of people you know, like you know how to do it, how they operate, how everything goes. Then you go ahead. The company still they have to do something about (UI) fraud. Cause (UI) you just can't stop it. There's too many people involved in it. See (UI) I say this. You ask him, don't say he got money from home. Go home and check it account on campus because when you get money from home they have a record of it. You see, they haven't got a dime. How they making it. If you want to stop them from (UI) you know, I can't. You know give you some information on how they do everything. People coming from Houston to do it and all that. (UI) to get a lot of them (UI) scare them away, and they ain't going to come down here to Louisiana no more. There's people in New Orleans right now. I seen, matter of fact I saw two of them yesterday that came from New Orleans on the way back to Houston they stop by my room. They went to, you know, New Orleans to a pretty bank. They have their ways of getting the bank. They get them real good.

Q. How's that?

A. They open a checking account, like I told you earlier, you know open checking accounts, savings account. Close the checking there, transfer the money from checking to savings all at one. They can open about 4 different accounts. You know four accounts. You write a check for five thousand dollars to this account. Then the account when they write five thousand dollars to the other account then the other one write three thousand dollars like that, cross linking. So when, when this bank when it goes to this bank, hey, that's the same (UI) number, five different ID's. When he goes to this bank now, say hey, I want some money from my account, they going to say okay we have to check. But he already wrote five thousand dollar check out right and the other one wrote five thousand dollar check to him. (UI) three thousand dollar check to him right, okay, now he have eight thousand dollar in his account. So when the bank calls the other bank to find out if he has the money, you know, like the second bank, you know, the other checking account he wrote the check to. Okay, when they call him to find out that if this one is valuable because he wrote check to so and so person in your bank right, okay, when he calls them they going to look at he got a check approved card on everything that's linked, this will be confused. They just, the point is (UI). They went and withdraw five thousand dollars. They go down here to the other account to the other account to the other account, like that. They do around, or they just drop a check from out of state. Some banks credit it, you know they go ahead and take the money. And (UI), you know once the credited they go to twenty-four hour card machine, start withdrawing three hundred, four hundred, depends on their limit. Do that all around (UI) discover the check it bounced, then they quit. Go to another bank, or go back to in the same bank, open account in different name again. See. That's basically what they do most.

Q. Are they still doing the gasoline credit cards?

A. No. Cause we won't have time for that. That's they believe there's still money in that.

Q. When they were doing that, how did they do it? Why don't you explain.

A. ...Okay see what happen was, okay they did this credit card from Atlanta, Houston, you know New York where ever they get this. You know like Texaco credit card. Okay they bring the credit card to you, you working at a gas station. So you go ahead and put twenty dollars and so in each car. Right. Okay you see like, lets assume, customer came to the service station today and spent four hundred dollars in cash. Right. So you go ahead and take the credit card and go, twenty twenty dollars on each of them. You know just like, all the customers that came into brought credit cards. So you take the cash and use credit cards to (UI) the money, that was (UI). So you don't come out short any way you stole. See that one you have to have somebody working at the gas stations to do that...

Q. Do they also take used cars that were left there by people?

A. Yeah they do that right. Mostly when (UI).

Q. But one of the sources of getting the credit cards is...

A. From out of state.

Q. People who left their cards....

A. And people from out of you know, people that all that (UI) and for people that apply for.

Q. Is there anything else you can think of?

A. There's nothing else.

STATEMENT ON CHINESE ORGANIZED CRIME

Hearing on Asian Organized Crime

By Alec Dubro

The existence of Chinese organized crime in the United States was horrifyingly demonstrated to the American public on September 4, 1977. In the early morning hours, five people were killed and 11 seriously injured when three masked gunmen shot up the Golden Dragon restaurant in San Francisco in the belief that the leaders of a rival gang were among the diners.[1]

Law enforcement officials in the United States, particularly in New York and California, directed attention at the previously ignored Chinese communities and found that things had changed drastically since 1965, when the Chinatowns of the U.S. were regarded as models of decorum, if not necessarily rectitude. In the years following 1977, what came to light was the existence of not one, but several forms of organized crime within the Chinese communities, most interrelated, and some tied directly to similar organizations in East Asia. American Chinese communities had always had an underworld which controlled gambling, drugs and prostitution, but they had heretofore kept a low profile. The new groups were often public, were certainly highly organized, and were increasingly deadly.

The beginnings of the problem, though, lay not in Chinatown but in China itself.

THE HISTORY

China has an ancient history of rural banditry, which in fact ravaged the already impoverished farmers of the Middle Kingdom, as classical China was called. Bandits also served as models for songs and stories and were often sources of inspiration for the peasants.

Modern urban organized crime, however, has its roots not among the bandits of the countryside, but in the secret societies of the 17th Century. These were quasi-religious groups founded by Taoist monks. Their ideology was mystical and derived from numerology, the I Ching (the Book of Changes), and the Chinese Book of the Dead. These groups are known generically as Triads, an English term bestowed by the British and deriving from a triangular symbol -- which appears on the flags and tattoos of many of these societies. The triangular symbol stands for the three powers: heaven, earth and man. These early societies bore names such as the Hung Society (named for Ming Emperor Hung), the Society of the White Lily, Origin of Chaos, and Origin of the Dragon.

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[1] Fenton Bresler, The Chinese Mafia, Stein & Day, New York, 1980, p. 188

Despite their mystical trappings, the purpose of the societies was avowedly political. The Shaolin monks who founded the societies wanted to rid the country of the foreign Manchu, or Ch'ing, dynasty and restore the Ming, ousted in 1644. The slogan used by all contemporary Triads was, "Overthrow the Ch'ing, restore the Ming."[2]

The Manchu authorities were generally ignorant of the Triads' strength and strategies. The second Manchu Emperor, Kian Hsi, condemned a number of these groups, but it is unlikely that he knew very much about them. Persecuted and clandestine, the Triads easily grew into legend, as did the rural bandits before, and a whole literature grew up about them. In fact, the popular American television show, "Kung Fu," was based on the Shaolin monks and their mastery of the martial arts; these were the founders of the Triads.

From Shaolin sects, the secret societies evolved into mutual aid guilds among the Chiu Chao Chinese, an ethnic minority living among the Cantonese in Southeastern China. Later, secret societies formed in the north, where the Manchus tightly controlled the country, and the societies were highly secretive and highly spiritual. One of the most famous was the Fists of Harmony and Justice, which came to be called the Boxers by English-speaking foreigners. In the south, societies grew that were modeled on bandit gangs, and it was these which took the name Triad. According to one authority, the time and culture were right for the societies:

> Membership grew rapidly. Because the Manchu conquest had fragmented Chinese life, the countryside for decades afterward was full of drifters, former soldiers, vagrants, beggars, thieves, desperadoes, murderers, journeymen, tradesmen, businessmen, itinerant craftsmen, artisans, students, and political exiles. To accommodate such diverse and growing membership, the Triads multiplied until by the

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[2] IBID p. 28

> nineteenth century there were hundreds of secondary guilds that maintained only symbolic links to the parent orders. Some, like the widespread Society of Elders and Brothers, were Robin Hood bands of poor people, farmers, and canal boatmen, who built a complete underworld economy on smuggling. Many of the Communist guerillas of the twentieth century came from this organization.
>
> The Triads attracted adventurers who found the upward path blocked in normal society. Through them, ambitious men could control secret funds and idle manpower, gaining extraordinary political and social leverage. Some Triads were strictly patriotic, while others used patriotism to disguise purely criminal pursuits; still others combined both purposes, with an invisible "dark thread" criminal organization, on which was superimposed a patriotic and visible "light thread."[3]

Triad life was filled with ritual and symbolism. Among the best-known symbols are the numerological ones, based on legendary events. The first Triad was founded by 108 monks of the Shaolin monastery (although sometimes the figure is given as 128), and consequently criminal Triads often use the figure 108 in an extortion demand, such as asking for $108,000 instead of, say, $100,000. Victims will invariably know the meaning of 108 and will more readily pay up.[4]

Another magical number is that of 36, the number of sacred oaths taken at a Triad initiation ceremony. Before an altar covered with incense sticks, three red flags and a statue of a particular god (depending on the Triad), the initiate swears eternal fealty to the society. Among the oaths are the following:

(3) When Hung brethren come to my home, I shall provide them board and lodging. I shall be killed by myriads of swords if I treat them as outsiders.

(5) I shall not disclose the secrets of the Hung family even to my natural parents and brothers and my spouse. I shall

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[3] Sterling Seagrave, The Soong Dynasty, Harper & Row, New York, 1985, p. 74.

[4] William Staunton, The Triad Society or Heaven and Earth Association, Kelly & Walsh, Ltd., Hong Kong, 1900.

never disclose secrets for money. Otherwise, I shall be killed by myriads of swords.

(14) I shall be killed by five thunderbolts if I secretly assist an outsider, or rob my own brethren.[5]

All oaths end with the threat of death. The myriad of swords is the same today as when the oath was first written: the traitor is hacked to death with knives or cleavers. Today, however, the five thunderbolts is generally interpreted as a gunshot to the head -- or five gunshots to the head.

Another persistent Triad custom is the burning of the yellow paper. This an ancient Chinese declaration or oath and was traditionally used in the courts. "The court procedure was to hand the witness a slip of yellow joss paper measuring about 8" by 6" on which were written Chinese characters to the effect that the witness would tell the whole truth, etc., and also bore characters for the name of the witness and the date. The witness then solemnly burnt this paper while agreeing to the interpreter's injunction to 'speak true words'."[6]

Today, this is primarily a Triad ceremony, one which signifies a new alliance, either between members and officials from the same or different secret societies. "A sheet of yellow paper is produced and on it is written the nature and purpose of the assembly together with oaths of loyalty and the names of the persons taking part. The official in charge of the ceremony reads out the oaths and they are repeated after him by the other members present. The paper is then burnt in front of the Kwan Fung portrait, or 'Five Ancestors' tablet, and some of the ash mixed in a bowl of wine which all then drink."[7]

The actual initiation ceremony marks a lifelong commitment, certainly in intent if not in actuality. According to the Book of Chinese Beliefs, the initiation derives from the Chinese Book of the Dead, and marks as much a passage as that from life to death. "No man," wrote author Frena Bloomfield, "once he has taken part in the initiation ritual, can ever cease to be a Triad. He is a Triad until death and death is the payment for those who try to leave."[8] However, noted Bloomfield, despite the centuries of tradition, "There is no doubt at all that for most of the young thugs joining Triad societies now, the mystical significance of the old ritual is totally meaningless."[9]

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[5] Bresler, p.35

[6] Royal Hong Kong Police Department, Triad Societies in Hong Kong, The Government Printer, 1974. p. 276

[7] IBID p.277

[8] Frena Bloomfield, The Book of Chinese Beliefs, Arrow Books, London, 1983. p. 204

From the point of their inception, Triads were at odds with the central government, a dynamic which was not altered until the 20th Century. Over the years, some of the Triads which survived and prospered became more powerful, less patriotic, less religious, and more criminal. In some cases, Triads claimed that their criminal activities were a means to an end, a money-raising venture to help overthrow the Ch'ing. In many other cases, Triads retained strong political affiliations, but functioned primarily as highly structured profiteering groups, venturing when possible into all the classical criminal rackets: extortion, loansharking, theft, prostitution, gambling, drug dealing, and any other opportunities. By the time the British authorities first encountered the Triads, in Hong Kong, the societies were thoroughly criminal. In 1845, the British made membership in a Triad a criminal offense.[10]

The modern history of the Triads actually begins with the triumph of Dr. Sun Yat-sen's Nationalists over the decaying Manchu dynasty in 1910. Dr. Sun was himself a Red Pole, or enforcer, in the Three Harmonies Triad.[11] A number of Triads aided Sun in his fight for independence, and although Sun later tried to curb the Triads, within a few years they began to exercise a growing political power over Shanghai and other urban centers. They had in effect tax powers -- or more accurately, extortion rights -- over many of the inhabitants of these cities, as well as virtual immunity from prosecution in the area of narcotics sales. One Triad in particular, the Shanghai-based Green Gang, became so powerful that it is considered the major factor in Chiang Kai-shek's rise to power.[12]

Although not all Triads engaged in the opium trade, the most powerful usually did. After the British introduced the habit to China in the early 1800's, some Chinese groups began distributing the drug and reaping immense profits. One Triad in particular has been associated with the trade, which originates in Southeast Asia, and that is the Canton-based Chiu Chao Triad. Speakers of a distinct dialect, the Chiu Chao Chinese have the kind of closed society which easily adapts to clandestine activities such as smuggling.[13]

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[9] IBID p. 207

[10] Report of the Triad Society Bureau, C.I.D., Royal Hong Kong Police Department, 12/16/75.

[11] Seagrave, p. 70

[12] IBID p. 209-223

Shanghai's Ching Pang, or Green Gang, created the first opium dealing cartel in the city in the 1920s, setting prices and uniting the warring gangs. Under Tu Yueh-sheng, or Big Eared Tu as he was known (also known as the Opium King), the Green Gang absorbed Sun Yat-sen's Three Harmonies Triad, a Chiu Chao group, which had controlled opium into and out of the important International Settlement. Tu himself collected a personal fortune of over $40 million, an enormous sum in China at that time. With this wealth and power, Tu became young Chiang Kai-shek's major source of money and Tu's gangster army subdued Shanghai's left-wing unions, one of Chiang's political opponents.[14]

Chiang's party was the Kuomintang, or KMT, the party which still controls Taiwan. When the KMT was run out of China in the aftermath of the Communist victory in 1949, it had a twofold effect on the Triads: many of the secret societies fled to Taiwan, to Hong Kong, to Singapore, and to elsewhere. In addition, some of the KMT army units in southern China crossed the border into Burma, Thailand, and Laos, and have become permanent fixtures in Southeast Asia. As a result, these renegade armies, now known collectively as the Chinese Irregular Forces, have come to control much of the opium growing region of the Golden Triangle.[15] They have then forged alliances with the Chinese Triads in Hong Kong, principally the Chiu Chao, and have created one of the most enduring heroin pipelines in the world.

But the Triads did not engage exclusively in narcotics. They became part of the local power structure, particularly in Hong Kong. British authorities in Singapore in 1953 tracked down and listed some 13,000 known Triad members. In the 1950's, the British blamed the Triads for fomenting a series of riots in Hong Kong. Several years later, in 1960, the Hong Kong authorities estimated that one Hong Kong resident in six, some 500,000, was a Triad member.[16]

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[13] Alfred McCoy, The Politics of Heroin in Southeast Asia, Harper & Row, New York, 1972 p.224

[14] Seagrave, pp. 209-223

[15] McCoy, pp. 246-247, 320-321

[16] Report of the Fifth Annual Chinese Triad Seminar, Toronto, 1982

Whether this astounding figure is correct is unknown, but the Triads in the Crown Colony were undeniably large and powerful. For instance, Kot Siu Wong, a former KMT general, established a Triad which was headquartered at 14 Po Wah Road. Originally, the group was called simply the Men of the 14; it later became the 14 Triad. Today it is called 14K, for 14 karat, a gold which exceeds local Hong Kong gold in hardness and purity.[17] The 14K is currently one of the largest criminal syndicates in the world with some 24,000 members. Other Triads, such as the Wo group, may be even larger, with an estimated 29,000 members. The well-known Chiu Chao Triad has 16,000 members, with connections all over East Asia.[18]

Certainly the Triads formed a cornerstone of political power in postwar Hong Kong, controlling much of the labor market as well as the illegal rackets. Because of their worldwide connections, the Triads began to establish bases of power outside of East Asia, moving to Europe, North America and the Middle East -- virtually anywhere among the 20 to 30 million overseas Chinese. Triad groups are known to be active in Britain, the Netherlands, Canada, and even the United States.[19]

Chinese organized crime activity in the United States has a slightly different history than it does elsewhere. Early Chinese immigrants to the US were almost exclusively from the area around Canton and were quite familiar with secret societies. In the US, though, they formed self-protective organizations called Tongs (literally, meeting hall), patterned after secret societies but which had a public face and which functioned as civil government. Other Tongs functioned as business or labor organizations. The more powerful Tongs usually controlled criminal elements within the community, elements which might have caused trouble for the community as a whole. At the same time, though, elements within the Tongs controlled gambling, prostitution and opium sales -- even more important in the nearly all-male Chinese community than in China. This pattern of a public and a criminal side to the Tongs continues to the present day.[20]

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[17] Bresler, pp. 33-34

[18] David E. Kaplan and Alec Dubro, Yakuza, Addison Wesley, Reading, MA, 1986. p.214.

[19] Bresler, pp. 123-132

[20] Oriental Organized Crime, Organized Crime Section, FBI, 1985. pp. 8-14

STATEMENT ON VIETNAMESE ORGANIZED CRIME

Hearing on Asian Organized Crime

By Alec Dubro

The history of Vietnamese organized crime differs from that of China and Japan because of the history of the country. Simply, Vietnam, colonized by the French in the 1700's and turned into a plantation state, never urbanized or industrialized independently. It was not until Saigon, populated in part by overseas Chinese, grew to sufficient size that organized crime began to appear. Various parts of Vietnam had been populated by bands of river pirates, and the most famous of the gangs were the Binh Xuyen who came to control Saigon in the 1950s.

Originally formed by street thugs from the Chinese section of Saigon known as Cholon, along with runaway rubber plantation workers, the Binh Xuyen emerged in the 1920s. They originally inhabited the mangrove swamp area between Saigon and the South China Sea, known as the Rung Sat. There, they were safe from French authorities.

Under the leadership of Le Van Vien, known as Bay Vien, the Binh Xuyen moved from a collection of street toughs and laborers to a lucrative, politically potent force. The Binh Xuyen -- named after a small suburb of Saigon -- allied themselves with the occupying Japanese during the war. Following the Japanese surrender, the pirates joined forces with the communist Viet Minh, one of the only instances of Asian organized crime allying with left wing groups.[1]

This marriage of convenience broke down shortly thereafter when Bay Vien concluded negotiations with the returning French colonialists. The French installed the Binh Xuyen in Saigon as their private army, and the French gradually turned control of the city over to Bay Vien. Said Alfred McCoy in The Politics of Heroin in Southeast Asia:

> The Binh Xuyen's financial hold over Saigon was similar in many respects to that of American organized crime in New York City. The Saigon gangsters used their power over the streets to collect protection money and to control the

> transportation industry, gambling, prostitution, and narcotics.[2]

The Binh Xuyen financed both the Vietnamese puppet government and the French with the profits from the drug trade, awarded to the Binh Xuyen by the French. The Binh Xuyen had virtual political control over Saigon in the early 1950s, and Bay Vien became the richest man in Vietnam. This arrangement came to an end in 1955 when the American-backed Army of Viet Nam (ARVN) battled the French-backed Binh Xuyen for control of Saigon. Said McCoy, "More troops were involved in this battle than in the Tet offensive of 1968, and the fighting was almost as destructive. In the six days of fighting five hundred persons were killed, two thousand wounded, and twenty thousand left homeless... And when it was all over, the Binh Xuyen had been driven back into the Rung Sat and Prime Minister Ngo Dinh Diem was master of Saigon."[3]

Under Diem, and his successors Ky and Thieu, organized crime continued to operate, but as an independent force, it did not again equal the power of the Binh Xuyen. Although it is possible that a number of ex-Binh Xuyen members arrived in the United States after the fall of South Vietnam in 1975, and later narcotics traffickers, extortionists, and pimps certainly arrived in the U.S., there is no evidence that any of today's Vietnamese gangsters in America have any real links to the Binh Xuyen.

[1] Alfred McCoy, The Politics of Heroin in Southeast Asia. Harper and Row, New York, 1972 page 109-124

[2] IBID p. 117

[3] IBID p.119

STATEMENT OF JAPANESE ORGANIZED CRIME

Hearing on Asian Organized Crime

By Alec Dubro

Japan's organized criminal groups -- the yakuza -- represent some of the oldest, best-organized, and richest criminal syndicates in the world. Long tolerated in Japan, they have in recent years begun operating in other countries, including the U.S. Even though it is wise for Americans to know something about the yakuza and about their activities here, it would be premature to conclude that the yakuza present a dire threat to the well-being of the citizens of the United States at this time.

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The yakuza trace themselves back to the early 17th century, when armed groups of young men calling themselves machi-yakko arose in Japan's towns to protect the villagers from the depradations of the ronin, or masterless samurai, then roaming the country. Although the yakuza believe themselves to be the heirs of the noble machi-yakko, they were actually descended from two other 17th century groups.

The first was the tekiya, or stall vendors, who banded together in associations and sold to the public at fairs and religious festivals. The tekiya formed a vast nationwide underground which included many outright criminals in its ranks, and which bribed officials and frequently defrauded the public.

The other group was the bakuto, or professional gamblers, who came to operate the games of chance at the inns alongside the nation's growing system of roads. The bakuto were the source of the word yakuza, which means ya-ku-sa, or the integers 8-9-3, a losing hand at the common card game of hanafuda. Yakuza, then, became a term of self-deprecation -- losers. The bakuto also gave the underworld the customs of tatooing and finger-cutting. Bakuto then, and yakuza now, often cover themselves with elaborate, artistic and expensive tattoos which, among other things, set gangsters apart from ordinary citizens. Finger-cutting, or yubitsume, was an act of contrition on the part of an errant bakuto, who would cut off the top joint of his little finger and present it to his boss in hopes of returning to favor.

A yakuza's boss is feared and revered. Criminal bands follow what is called the oyabun-kobun structure -- meaning literally father figure-child figure. An oyabun is, in reality, a boss, and a kobun a follower. According to Yakuza:

> In the feudal society of eighteenth-century Japan, the oyabun-kobun system often provided the basis for relations between teacher and apprentice, between lord and vassal, and, in the nascent underworld, between boss and follower. It was the mirror of the traditional Japanese family in which the father held great and final authority, including the power to choose marriage partners and occupations for his children.[1]

One other characteristic of yakuza bands which set them somewhat apart from Western organized crime groups is their political orientation. Late in the 19th century, yakuza gangs became associated with right wing, ultranationalist societies and have over the years become an integral fixture of Japan's political right. Acting through powerful kuromaku, or power brokers, the yakuza came to exert political influence during the prewar period of fascism, and in the postwar world even had a voice inside the ruling Liberal Democratic Party.

The yakuza took its present-day form during the U.S. occupation. The bakuto and the tekiya groups survived the war and a new group, the gurentai, arose in the ashes. A violent stratum, gurentai (hoodlums) were formed largely of demobilized soldiers and came to control the country's burgeoning black markets, working alongside the older, more traditional groups. Over the years, the three strains of yakuza have become more similar, and the aims of the gangs are generally in concert, although turf wars are as frequent as alliances. All told, in Japan yakuza groups exert enormous influence over the bar and restaurant business, entertainment and professional sports, trucking, longshore work, and the tourist industry. In addition, yakuza run much of the nation's loansharking, gambling, prostitution, and narcotics operations. The last, drugs, accounts for an estimated 50 percent of the yakuza's total take. Japan first developed a shabu, or amphetamine, habit in the aftermath of World War II, and the yakuza have continued to supply the hundreds of thousands of addicts who spend billions of dollars annually on yakuza-manufactured and distributed methamphetamines.

As Japan's economy grew in the 1970s and 1980s, Japanese began traveling overseas and so did the yakuza. According to the Japanese National Police Agency, the gangs, which today number approximately 2500, with a total of around 100,000 members, often sent ambitious gangsters to other countries. There, they financed drug laboratories, set up prostitution rings for the Japanese tourist trade, purchased firearms and pornography for import to Japan, and invested some of the vast profits the gangs realized in Japan. One of those countries is the United States.

American authorities first noticed discernible yakuza activity in Hawaii in the early 1970s. In 1972, a member of the Tokyo-based Sumiyoshi-rengo gang arrived in Honolulu and set up shop, according to a series in the *Honolulu Advertiser* in March 1978. Wataru "Jackson" Inada shook down local porno shops, ran a variety of tourist hustles, and dealt heroin. Inada, who was later murdered in a gangland execution, was followed by a number of imitators. In 1979, in a well-publicized bust, U.S. Customs stopped three yakuza drug runners in Honolulu Airport importing kilos of high-grade southeast Asian heroin. For the most part, though, yakuza confined themselves to making money off the thousands of Japanese tourists who traveled to Hawaii and California. There are, however, two yakuza rackets which are necessarily based in America.

Because Japan has the world's strictest gun control laws, the underworld must smuggle in firearms; and the U.S. is a virtual gun supermarket for Japanese gun buyers. A number of federal agencies including Customs, ATF, and DEA have made gun cases against yakuza and American associates, but the profits involved ensure the continuation of the trade. A handgun, for instance, which sells for $250 in the U.S. will bring $2000 in Japan. One unfortunate result of this lively trade is that the number of yakuza shootings has increased significantly, with passersby and police numbered among the victims, according to the Japanese English-language press.

Yakuza and their associates who control Japan's sex clubs have created a need for Caucasian women, and one source is the U.S. Acting through American talent agencies, Japanese gangsters have lured aspiring singers and dancers to Japan with promises of lucrative entertainment work. When the women arrive, they are often put to work in sleazy sex clubs, with duties ranging from hostessing to sex performances to outright prostitution, according to the Los Angeles Police Department Vice Squad. American women have frequently been intimidated into remaining at work in these clubs and have had their return tickets taken by club managers.

Hawaii and California police suspect that yakuza have invested in American businesses and real estate, but the tracing of such investments has been a major problem for U.S. law enforcement. Some purchases, however, are relatively open. American police have found that Japanese banking laws and Japanese police indifference have made it difficult or impossible to positively link these purchases with yakuza activities. Since the 1970's, Japanese businessmen, some with open ties and some with suspected ties to the yakuza, have attempted to purchase interests in legal gambling properties in Nevada and New Jersey and other busineses in California and Hawaii. Not all of the efforts have been successful.

Nonetheless, it is clear that the yakuza found the U.S. to be an attractive area for some criminal activity and for investment. Some yakuza, however, may have second thoughts about the desirability of the U.S. as a base of operations.

Within the last three years, law enforcement pressure in the U.S. has forced the yakuza to either cut back on their presence and activities in this country or to act through intermediaries. A series of arrests, convictions, and even prison sentences for violation of visa laws has proved to be a deterrent to incoming yakuza. Previously, many yakuza came to the U.S. on vacation, and others came to do business. But the ability of federal authorities in Hawaii and California to identify and prosecute yakuza has meant that yakuza, particularly those with missing fingers and tattoos, or those well-known to police, have to go elsewhere.

In April 1986, federal authorities in Hawaii brought to trial a major yakuza godfather and three others caught in a DEA-sponsored sting operation. Although the boss of the Japan's largest gang and two of his associates were acquitted on drug and gun conspiracy charges, the legal action reportedly seriously shook yakuza leadership. The Japanese, unfamiliar with sting operations, may now, out of suspicion, avoid American deals altogether.

Although Hawaiian police report a significant drop in yakuza involvement in tourist scams and prostitution, they also report that yakuza-connected figures are still buying property and businesses in the Islands. There is, of course, no law against purchase of property and, again, determination of the source of foreign funds is extremely difficult.

In spite of this continued investment, it is clear that American law enforcement response has adversely affected yakuza activity in the U.S. And that continued pressure will force the yakuza to either drastically alter their plans or to abandon the U.S. altogether. For those yakuza who merely wanted to see Las Vegas or to visit Waikiki it has been frustrating. One Tokyo godfather told the authors of Yakuza: "Please tell the Americans that those stories about our operating in the United States are untrue." He had been interrogated and followed on a visit to the U.S. and felt he had been unfairly harrassed. The yakuza, ancient, successful, and wealthy, have been put on notice by the U.S.

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[1] Kaplan, David E. & Alec Dubro, Yakuza Addison-Wesley Publishing Company, Inc., Reading, Massachusetts, 1986, p. 19.

STATEMENT ON KOREAN ORGANIZED CRIME

Hearing on Asian Organized Crime

By Alec Dubro

Koreans, or more precisely South Koreans, are one of America's newest, fastest-growing, and most successful immigrant groups. South Korea, although a rapidly developing country, is poor and rigidly controlled. Most immigrants to the United States are motivated more by economic desires than political ones. The per capita gross national product income in South Korea for 1982 was $1,680.[1] It is not surprising, then, that many Koreans emigrated to the U.S. as a means to advance.

There is a substantial Korean population in the U.S. According to the 1980 Census, there were 357,393 Koreans living in the U.S., regardless of immigration status. The Population Reference Bureau, Inc. estimates that the Korean population in the U.S. has increased by over 50 percent to 542,400 as of September 30, 1985.[2]

Whatever the number, the Korean immigrant community, like all communities, includes some criminals, and some organized criminals. Both New York, with the nation's second-largest Korean community, and Los Angeles, report youth gangs shaking down merchants. Most police, though, consider these gangs, named Korean Power and the Korean Killers, to be little more than street gangs. It is entirely likely, however, that if unimpeded they will evolve into full-fledged organized crime entities in the future.

Some Koreans are engaged in a widespread, persistent and ongoing criminal enterprise, one with its roots in Korea -- prostitution. Koreans own and operate a substantial proportion of the nation's massage parlors, particularly in areas surrounding some military bases and in major cities with Asian populations. These massage parlors -- also known as saunas and modeling studios -- are staffed primarily with Korean prostitutes. Further, these prostitutes have almost all entered the U.S. the same way -- by visas obtained through fraudulent marriages to American GIs stationed in Korea. There is evidence that the marriage fraud racket is highly organized in Korea and that many of the hundreds of Korean massage parlors in the US are loosely linked by suppliers of prostitutes.

South Korea does not have organized gangs similar to Japan or even Taiwan. There are, however, active gangs in South Korea generally consisting of five to 25 people. The most lucrative activity in Korea is the black market, which depends upon tightly-controlled imports and the huge American military presence. One base PX, according to U.S. Embassy officials, sells more merchandise than the combined salaries of all its customers. When the gangs need more or different merchandise than the U.S. military can provide, Koreans use their links to Japanese and Chinese gangs to supply their needs.

Koreans also conduct a large-scale business in prostitution. There are several distinct types of prostitution, all of which the government permits. At the top are the more expensive kisaeng houses. These were similar to Japanese geisha houses, but today are simply plush houses of prostitution. Some of them are quite large. One pair of houses bracketed the Japanese ambassador's official residence in a wealthy section of Seoul, and each house could accommodate 800 customers at a time.

Other than kisaeng houses, there are ordinary brothels staffed by a population of tens of thousands of prostitutes. These are generally impoverished migrants from the countryside, sold as minors for as little as $200 on the black market and forced into a life of prostitution. In highly structured Korea, there is virtually no road back; they are forever branded as "unpersons," and must work as prostitutes. Women's groups in Asia accuse the Korean government of taking a cut from the prostitution business.

A good deal of prostitution is reserved for American military personnel, both in the cities and around the bases. In Seoul, for instance, there is a red light section called I Tae Won, which caters exclusively to American soldiers, and around many of the bases there are sections with rows of massage parlors. Accordingly, some Koreans have moved their operations to the U.S. where the profits are greater. The problem for the Koreans who run massage parlors has been getting prostitutes to America.

This problem has been expensively but effectively solved by arranging sham marriages to American GIs. The Immigration and Naturalization Service (INS) estimates that thousands of such marriages have taken place over the past decade and that they are continuing. By marrying an American GI, a Korean woman receives an immigrant visa, and in America, is granted permanent residency status and a green card.

These marriages are arranged by Korean brokers. Working with prostitutes and pimps, brokers locate American GIs, usually those with only a few months left on their Korean tour of duty, to marry Korean women. In exchange, the GIs are offered cash -- anywhere from a few hundred, to more often, several thousands of dollars. The brokers also provide false or altered documents for women who cannot arrange to marry a GI. The women must, when they arrive in the U.S., repay the brokers fees of thousands of dollars.

The GIs must obtain permission to marry from commanding officers, and the Army must investigate the background of the women before granting permission. But according to INS and the State Department, military investigators usually rely on information provided by Korean police, information which can be altered for a price. Even if the military knows the woman is a prostitute, the GI can merely claim that he hopes to make her an honest woman. Few officials wish to challenge an individual's right to marry. Consequently, State Department visa officials often issue a waiver of excludability if the record shows arrests for prostitution. Thus prepared with a valid marriage license, an Army husband, and a visa, Korean prostitutes fly on to the U.S.

When she arrives at the port of entry, the immigrant is adjudicated by immigration officials and given a temporary I-551 stamp. Her application for permanent residency is generally processed in six to eight weeks, and she then receives her green card. This card is good for life unless she voluntarily returns it, becomes a citizen, or is found guilty of violating the provisions of residency.

Women without sham marriages simply enter the U.S. illegally. Some arrive at American airports in transit for Latin America and slip out of the airport. Others fly on to Latin America, make their way to Mexican border, and pay a professional smuggler to take them into California or Arizona along with the many others who cross daily.

Once in the U.S., Korean women settle down near whatever base their "husbands" are stationed and begin divorce proceedings. When the divorce is final, the GI receives another payment of several thousand dollars and the women move on to other places. She may or may not work in massage parlors immediately, but almost all do so as soon as possible.

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Korean-run massage parlors exist in this country for the same reason that other massage parlors exist: they are inexpensive to set up and can be extremely profitable. Because U.S. law enforcement is more concerned with streetwalkers and because penalties for prostitution are generally light, the law is a slight deterrent.

In a small community, the profits might be modest. In Pierce County, Washington, the Sheriff's Department reports that massage parlors which cater mainly to the local military bases are quite small, with two women and manager in each. These "saunas," as they are known, take in approximately $10,000 a month with minimal overhead.

Parlors in the New York area are larger. One INS agent noted that they range in size from four or five women to as many as 20. The women tend to bring in $10,000 to $15,000 a month, which, for a parlor with 10 women, means a gross of $1.2 million to $1.8 million a year. The women themselves in New York take home $3,000 to $5,000 a month, wages which vastly exceed anything they could earn in Korea.

Korean-run massage parlors exist in many areas of the country, but the majority are found around military bases in the Southeast and Midwest -- from Fort Bragg in North Carolina to Fort Hood in Texas. New York and Los Angeles -- the cities with the largest Korean populations -- also have large concentrations of parlors. According to the INS office in Los Angeles, there may be as many as 150 such parlors, and 500 known Korean prostitutes, in the greater Los Angeles region. Other areas with a significant number of parlors are Houston, San Francisco, and San Antonio.

Although there is no proof, there does not appear to be any pyramidal or hierarchical structure controlling these massage parlors. There may be a loose confederation, but there is no known "godfather." Investigators have found that one operation run out of California does supply women to many parlors nationally, but again this does not imply a controlling influence.

The prostitutes themselves are highly mobile, switching places of employment as they become bored or "burned out." Evidence of this is shown when a woman arrested in one jurisdiction for prostitution is arrested a few weeks later five states away for the same offense. Most police agencies agree that it is usual for women to post bond and simply disappear. Many of the Korean prostitutes use a variety of anglicized first names and police have a good deal of trouble simply keeping track of the women.

There has been some speculation that the women are held in prostitution against their will. It is alleged that women arrive in the U.S. owing a substantial debt to the marriage broker, or to someone else who arranged for papers, they must work off the debt at a prearranged parlor. This could be considered a form of indentured servitude. When the debt is paid, however, the women are free to stay or go.

Local law enforcement officers have found that local jurisdictions have had only limited success against massage parlor operations. In Pierce County, Washington, for instance, police have been waging a ten year battle against the saunas. According to the Pierce County Sheriff, Harvey Gibb, "The sauna operators drag out the appeals to the point where it wears down the investigators and the prosecutors." If the sauna is making money, then paying attorney's fees is simply an acceptable cost of doing business. Eventually police there closed down most of the saunas only to find that the owners simply picked up and moved to other parts of the state. "We are not eliminating the problem," said Sheriff Gibb, "We are squeezing it out the side."

New York City has experienced much the same thing. The City's Office of Midtown Enforcement (OME), created to rid the Times Square area of sex-oriented businesses, used a nuisance abatement law against massage parlors. Any two acts of prostitution at one location is enough for the District Attorney to obtain an injunction and have the premises padlocked. After Times Square rid itself of massage operations, some 20 parlors opened up in the Asian neighborhoods of Queens. OME was called in and pursued the same tactics, and so far, according to OME officials, they have not reopened, although they may be expected to resume business elsewhere.

On the national level, the point agency has been INS which became interested in Korean prostitution because of the visa fraud involved. In April 1986, INS formed the Korean Organized Crime Task Force consisting of 22 regional offices and a Washington, D.C. coordinator. The Task Force is still in the information-gathering stage but hopes eventually to stem the flow of Korean prostitutes at the borders, rather than pursuing cases against individual women after they have obtained residency. The KOCTF also hopes to establish working liaisons with other federal agencies and with the Korean National police.

In legitimate business, Korean immigrants have proved to be resourceful, hardworking, and able entrepreneurs. It is no surprise that Koreans working in prostitution are equally successful.

[1] State Department Background Notes, South Korea, October 1983.

[2] Gardner, Robert W., et al., Population Bulletin, Asian Americans: Growth, Change & Diversity, Vol. 40, No. 4, Population Reference Bureau Inc., October, 1985.

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January 14, 1987

The Honorable Alan Nelson
Commissioner
Immigration and Naturalization Service
425 Eye Street, N.W.
Room 7100
Washington, D.C. 20536

Dear Mr. Commissioner:

As you may recall, in September, 1986, the Permanent Subcommittee on Investigations held public hearings on "emerging criminal groups." On September 17th, the Subcommittee reviewed the criminal activities of Nigerians residing in the United States (INS agent Richard Palak testified), and on September 24th, the Subcommittee reviewed the criminal activities of Chinese and Vietnamese individuals. Several questions regarding INS policies and procedures were raised during these hearings and in lieu of an additional hearing on this subject, I have enclosed a series of written questions.

I would like to receive your agency's responses by February 9, 1987, so they may be included in the printed hearing record. Any questions which your staff may have should be directed to Daniel F. Rinzel, Chief Counsel to the Minority, or Howard L. Shapiro, Minority Staff Counsel, at 224-3721. Thank you for your assistance.

Sincerely,

Bill Roth

William V. Roth, Jr.
Ranking Minority Member

WVR/hls/cc

Enclosure

Questions for Immigration and Naturalization Service

1. During the Subcommittee's hearings in September, several witnesses discussed the lengthy and often cumbersome deportation process. What suggestions would INS have to streamline this process? Should the statutory criteria for deportation be changed? Should the appeals process be limited? Should additional funds be provided to increase the number of INS personnel, hearing examiners, or administrative judges?

2. During the Subcommittee's hearings, several witnesses stated that Nigerians scoff at deportation because it is so easy to return to the U.S. What steps are being taken, by INS and/or other agencies, to prevent deported individuals from returning to the U.S., with or without new identification papers? What additional steps should be taken?

3. What is the current status of INS efforts to computerize its data base on individuals entering the country? What is the current "lag time" before new records are entered into the computer system? What can be done to shorten this time?

4. What effect will the new legislation requiring a waiting period before permanent resident status is granted (P.L. 99-639) have on INS operations? Does INS have sufficient resources to implement this legislation? Are additional changes in the law regarding permanent resident status needed?

5. During the Subcommittee's hearings, witnesses indicated that many of the Nigerian and Chinese individuals convicted of crimes in the U.S. were "overstays," i.e., those who extended their stays beyond the designated time period on their non-immigrant visas. What is the current INS strategy for identifying and apprehending those "overstays?" Are there any plans to change this strategy?

6. In 1997, the takeover of Hong Kong by the Peoples Republic of China is expected to cause a significant increase in the emigration of aliens (particularly with criminal histories). What sort of effect will this have on INS operations? What is INS doing, if anything, to prepare for this?

7. What is the purpose of the National Automated Immigration Lookout System (NAILS)?

   -- Has the NAILS been implemented on a nationwide basis?

-- What is the procedure for updating information in the NAILS?

-- How does the NAILS relate to the computer information systems of other federal agencies?

8. What sort of relationship do INS field personnel generally have with state and local law enforcement agencies? Is greater cooperation needed?

9. Will the Immigration Reform and Control Act of 1986 (P.L. 99-603), which imposes restrictions and penalties on employers who hire illegal aliens, result in more illegal aliens having to turn to criminal activities for income? If this is the case, does INS have a strategy to combat this problem?

-- Will INS have the necessary resources to implement P.L. 99-603, particularly with regard to the granting of amnesty for qualified aliens? Will resources need to be taken away from other INS operations, and if so, which ones?

-- Does INS expect a significant number of Nigerian and Chinese individuals to apply for amnesty under this Act?

U.S. Department of Justice
Immigration and Naturalization Service

Office of the Commissioner

425 Eye Street N.W.
Washington, D.C. 20536

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Honorable William V. Roth, Jr.
Ranking Minority Member
Committee on Governmental Affairs
Senate Permanent Subcommittee on Investigations
Washington, D.C. 20510

Dear Senator Roth:

I am in receipt of your correspondence dated January 14, 1987 regarding the Subcommittee's recent hearings on "emerging criminal groups." I am fully committed to undertaking a comprehensive response by the Immigration and Naturalization Service (INS) to the problem of criminal aliens in the United States, particularly those involved in organized criminal activity such as narcotics trafficking.

I welcome this opportunity to respond to your written questions on Service policies and procedures. I have responded in the same order as your questions appear:

1. Section 241 of the Immigration and Nationality Act (INA) sets forth the statutory provisions under which an alien may be deported from the United States. Within that section are several grounds of deportability arising specifically from criminal acts committed in the United States. Included are crimes involving moral turpitude, prostitution or managing of a house of prostitution, alien smuggling, illegal possession of an automatic weapon or sawed-off shotgun and narcotics offenses. In regard to narcotics, the INA has recently been strengthened through the Anti-Drug Abuse Act of 1986 in that we may now seek the deportation of those narcotics traffickers involved in synthetics and/or designer drugs. Heretofore, we had been precluded from doing this.

   The above provisions of the INA evidence the numerous bases for commencement of administrative deportation action against criminal aliens. However, as your question implies, there are currently several practices which lend themselves to abuse within the due process requirements of a deportation hearing. First of all, as distinguished from the criminal law, the administrative deportation process does not have a "speedy trial" rule. Failure to comply with this rule in criminal proceedings results, of course, in the dismissal of charges.

Such a rule is not practical for this process in that, even if not adhered to, the matter would not be resolved, i.e., the defendant would still be in the United States illegally. We cannot create a parallel to this practice for the administrative deportation process as the defendant would still be without a basis under the INA to obtain legal status.

Unfortunately, without the statutory incentive for prompt judicial action afforded by the "speedy trial" rule, our administrative docket, coupled with past resource limitations in terms of the number of Immigration Judges (IJs) available to conduct hearings, has resulted in overwhelming case backlogs.

The apprehension of 1.8 million illegal aliens in FY 1986 is substantive evidence of the immigration dilemma facing the United States. The recently enacted Immigration Reform and Control Act (IRCA) should help INS to address this crisis, by providing sufficient numbers of Immigration Judges to conduct deportation proceedings in a timely manner and reduce present backlogs.

Many of the cases now on our docket have been set aside in anticipation of those individuals applying for legalization of status under IRCA. We can now begin to ensure the expeditious conduct of deportation proceedings, targeting the criminal element of the alien population, as they will not be entitled to benefit by the generous legalization provisions of the law.

We do not feel that the statutory grounds for deportation should be altered; rather, a mechanism to ensure timely resolution of the cases is needed. Additional hearing officers are one solution. Some representatives have taken advantage of this problem in the past through repetitive and dilatory motions that result in continuances for months at a time while the case must be rescheduled.

A second solution would be to statutorily limit the appeals process. With each system of review comes, of course, prolongment of the ultimate outcome due to the overcrowding that appellate bodies face on their respective dockets. There is already an appellate tribunal in the Board of Immigration Appeals (BIA) charged with reviewing IJ decisions. Nonetheless, Federal District Court judges often must entertain temporary restraining orders, writs of habeas corpus and mandamus, etc. over an individual, above and beyond the administrative hearing process.

This is the essence of the problem. By statutorily extending due process to illegal aliens beyond constitutional requirements, we have invited abuse of our legal system. Postponements, continuances and the filing of oftentimes frivolous applications have become commonplace. It is not unusual for an INS special agent to execute an order of deportation on a criminal alien who has been in proceedings for six to eight years. At such points, the system loses all credibility to the public at large. The defendant has often been charged initially with simple technical violations, but through delaying tactics, enters into a sham marriage or engages in some other avenue of fraud in order to circumvent the INA. In such instances, justice delayed becomes justice aborted. An alien should not be allowed to acquire equity for permanent resident status purposes once deportation proceedings have been initiated.

2. The legislative initiatives in the 99th session of Congress which address criminal aliens require a corresponding change in that section of the United States Code designed to prevent reentry after deportation. Title 8, U.S.C., Section 1326 must be revised to become an effective deterrent to reentry after deportation. I have attached one proposal for such a revision and would be interested to know your opinion of such a proposal.

3. The Nonimmigrant Information System (NIIS) is a data base of arrival/departure records on all nonimmigrants. Immigrant records are maintained in a separate data base called the Central Index System (CIS). For NIIS, the requirements include a fifteen-day waiting period for data entry on new records. The "lag time" includes collection of the forms at ports of entry, routing to a centralized data entry site, and actual data entry. To shorten the lag time, additional resources would be required to decentralize the data entry site and to place several of them closer to the data collection points (ports of entry).

4. First we would like to clarify that the Immigration Marriage Fraud Amendments Act of 1986 (P.L. 99-639) does not provide for a waiting period before permanent resident status is granted, but rather provides for permanent resident status from the beginning, with conditions. The law requires review of each case, and a readjudication of each case. Operationally, a reinterview may be required, or may be waived in the discretion of the Service. As enacted P.L. 99-639 will improve the Service's chances of detecting and deterring immigration marriage fraud.

   However, because a simple test of marriage validity was not incorporated into the bill, we anticipate that additional adjudications and investigative resources will be needed. (Spouses can reside apart and still claim the marriage is valid as cohabitation is not a *sine qua non*.) Several factors limit our current ability to estimate the size of the needed increase. First, we do not know how many individuals will opt to regularize their status via the legalization provisions of the Immigration Reform and Control Act versus through marriage, whether a sham or legitimate. Second, we do not know what numbers of aliens will be deterred from filing frivolous or fraudulent petitions because of the enhanced criminal penalties. Third, the Service is proposing to create a prototype Examinations Anti-Fraud Unit, but has not yet calculated numbers of positions needed to staff these positions. Fourth, and most critically, the law mandates that the Service make a determination in each case within 90 days of the interview held to remove the conditions imposed by Section 216. At present resource levels, Investigations cannot guarantee that such cases will be completed within 90 days, without significantly affecting other important programs (such as employer sanctions) adversely through diversion of agent manpower. Investigations will require significant additional resources to investigate those cases referred by adjudicators within this 90-day window, or the cases will automatically be resolved in favor of the marriage for lack of adequate resources to fairly evaluate the representations made at the interview.

Two significant areas were not addressed by P.L. 99-639. First, the law did not define what a valid marriage is for immigration purposes. INS recommends a simple test: a legal marriage _and_ continuous cohabitation to the time of re-interview. Second, while the bill deals with aliens where an order to show cause has been issued, it does not affect the larger problem of aliens who are out of status attempting to use the vehicle of marriage to obtain permanent residence. Thus, while it treats a visible symptom, it does not address the problem itself; to wit, aliens marrying solely to remain in the United States, in circumvention of the statutorily required visa quota system.

5. As cited earlier, in FY 1986, this Service arrested 1.8 million illegal or unlawful aliens. By our estimate, probably two illegal aliens successfully evade capture for every one that we apprehend. By extrapolation, then, 3.6 million aliens entering the country illegally or remaining unlawfully in FY 1986 remain at large. While some of these aliens without doubt seasonally enter, depart and reenter, nonetheless the dimensions of the problem are staggering.

I recognize that the State Department is faced with a myriad of duties overseas in the same way that INS is at home. At the same time consular officials are tasked with encouraging the exchange of goods, services and tourists between the United States and friendly nations. However, in order to alleviate at least that portion of the problem involving aliens who obtain nonimmigrant visas and then simply overstay or violate the terms of their admission, I would advocate that the Department of State tighten screening procedures in the issuance of nonimmigrant visas.

As you know, the thrust of IRCA in regard to the deterrence of illegal immigration is the imposition of civil and/or criminal sanctions on employers who knowingly hire illegal aliens. I am confident that execution of our duties under the employer sanctions provisions of IRCA will, first of all, deter many aliens from coming to the United States in search of employment in the future and secondly, convince those that are already here as illegal entrants or overstays that it is economically unwise to remain here, if they are ineligible to legalize their status.

I am cognizant that for those who are already here that now find themselves unable to secure employment, a certain percentage may opt not to go home but rather turn to a life of crime. I will address this extremely important concern in questions 6 and 9.

6. In the past year, this Service has completed several major investigations regarding increased criminal activity by Hong Kong Triads in the United States. Indictments and subsequent convictions have resulted from our efforts in San Francisco and New York for conspiracy, interstate transportation in aid of racketeering and the importation of alien prostitutes. The New York case culminated in a twelve year prison sentence for the main principal and the forfeiture of all assets directly attributable to the criminal enterprise.

We have expanded our efforts in this particular area of emerging organized crime and fully expect to present cases of far reaching Chinese alien criminal organizations to several Federal Grand Juries in the near future. These investigations are monitored by my headquarters staff and are worked in conjunction with the other major Federal enforcement agencies such as the United States Attorney's Office, Organized Crime and Racketeering Strike Force, Federal Bureau of Investigation and Drug Enforcement Administration.

Within the Immigration Service, the Investigations Division is the arm of the INS Enforcement Branch which is primarily responsible for the location, apprehension and removal of alien criminals from the United States.

Our Investigations Division, through the Service Priority Management System (PMS) and their own Investigations Case Management System (ICMS), has accorded individual criminal aliens and criminal alien organizations one of its highest priorities. These latter investigations target large organizations involved in a continuing criminal enterprise. The organization typically conceals its criminal activity through manipulation of corrupt officials or through violence or threats of violence, and conceals financial transactions under the cover of a legitimate business activity.

Organization principals or active members are aliens, or the organization engages in continuing criminal activity through the use of the services of aliens or on behalf of aliens. A criminal organization of interest to the INS regularly engages in serious crimes of violence, racketeering, or narcotics trafficking and may have active members throughout the United States or in foreign countries.

7. The National Automated Immigration Lookout System (NAILS) is essentially an automated version of the Service Lookout Book. Each applicant for admission who is fourteen years of age or older must be checked in the lookout system. NAILS serves as an enforcement tool by maintaining names of individuals who may be excludable from the United States. In cooperation with other law enforcement agencies, the Service also has in its lookout system names of persons who are wanted by those agencies.

   NAILS has been implemented on a nationwide basis, although the computer equipment is not yet available at all ports of entry. It is updated daily from information sent by the district offices and by other federal law enforcement agencies. Information sharing is limited at present to tape exchanges with other federal agencies. However, other methods are in the planning stage since the User Fee legislation permits additional funding for enhancements to NAILS. We believe this expansion and integration of system lookout information to be critically necessary if INS is to successfully detect and exclude alien felons, drug traffickers and other undesirables.

8. Special Agents of the Immigration and Naturalization Service are dedicated career law enforcement officers. While faced in the recent past with an ever increasing mission and declining resources, our agents have continued to successfully uncover such diverse criminal activity as extortion, bribery, alien smuggling, murder, the harboring of illegal aliens, and the production, transfer and distribution of counterfeit identification documents. Many of these investigations have been worked jointly with other federal, state and local law enforcement agencies.

INS has been subjected to criticism in the past for not responding to every law enforcement call for assistance regarding an illegal alien. In the past, we quite simply did not have sufficient manpower to do so. Since INS has exclusive jurisdiction over illegal aliens, we are forced to prioritize. I would submit to you that if the Drug Enforcement Administration had exclusive jurisdiction over narcotics then they could not possibly respond to every local law enforcement stop for a simple possession of marijuana charge.

Section 1751 of the Anti-Drug Abuse Act provides for enhanced automation capability at our field offices to increase responsiveness to other law enforcement entities. Other provisions of the Anti-Drug Abuse Act will serve to increase our effectiveness at responding to calls for assistance and the placing of detainers on illegal aliens when applicable.

Finally, I would add that INS became a formal participant in the Organized Crime Drug Enforcement Task Force (OCDETF) on December 23, 1986 pursuant to an agreement between Deputy Attorney General Burns and myself.

9. As I stated in response to question 5, we are aware that while the majority of aliens are law abiding, the number of criminal aliens has increased dramatically. The Senate Appropriations Committee has expressed concern over this national problem which appears to be reaching crisis proportions. We have formulated comprehensive long- and short-term solutions to deal with the problem. These solutions are set forth in our report to the Committee entitled "Criminal Aliens" dated September 1, 1986. I have attached a copy for your information and inclusion in the printed hearing record.

While Congress authorized necessary monies for full implementation of the IRCA, the question of a supplemental appropriation for FY 1987 and the FY 1988 INS budget is yet to be answered. I am confident that Congress will appropriate those funds that are essential to not only provide a tough but fair system of legalization but also to enable us to truly restructure the Service in accord with the spirit of the law--reform and control.

We do not have any way of accurately predicting at this time how many Nigerian and Chinese nationals will apply for legalization under the appropriate provisions of IRCA.

My staff remains available at all times to assist the Permanent Subcommittee on Investigations in all matters of mutual concern.

Sincerely,

Alan C. Nelson

ALAN C. NELSON
Commissioner

Enclosures

APPENDIX "Y"

Strengthened Penalty Provisions for Criminal Aliens that Illegally re-enter the United States After Deportation

The current two (2) year or one thousand dollar ($1,000) fine penalty provisions of Title 8, Section 1326, United States Code (Re-entry of Deported Alien), which were designed in another era for a totally different situation, are insufficient to deter deported criminal aliens from re-entering the United States.

RECOMMEND:

I. Three-Tier Penalty Provision

(1) Two (2) year or one thousand dollar ($1,000) fine provision for aliens who illegally re-enter the United States after they have been deported for other than a felony conviction.

(2) Five (5) year or ten thousand dollar ($10,000) fine provision for aliens convicted of a non-aggravated felony who illegally re-enter the United States after they have been deported either as a result of that conviction or for Entry Without Inspection. (NOTE: In some cases aliens convicted of crimes are deported for Entry Without Inspection in order to expedite the deportation process.)

(3) Fifteen (15) year provision for aliens convicted of an "aggravated" felony who illegally re-enter the United States after they have been deported either as a result of that conviction or for Entry Without Inspection.

An "aggravated felony" would be defined as: Murder, Kidnapping, Robbery, Rape, and Sale of Narcotics or Controlled Substances or Attempted Murder, Attempted Kidnapping, etc.

II. Prosecution Policy

Propose that the Assistant Attorney General in charge of the Criminal Division establish a nationwide policy of prosecuting aliens that re-enter the United States after being deported as a result of being convicted of an "aggravated felony". (Aliens deported for non-aggravated felonies or for other reasons would be considered for prosecution on a case by case basis by the local United States Attorney's Office.)

III. Entry Into Computerized Indices

Enter all aliens subject to the proposed fifteen (15) year penalty into the NCIC and other appropriate computerized indices with the notation that law enforcement agencies are to detain the alien for federal prosecution. Other deported aliens would also be entered without the notation.

The proposed provisions provide for an integrated penalty, prosecution and apprehension system which should tend to deter criminal aliens from re-entering the United States after deportation.

U.S. Department of Justice
Immigration and Naturalization Service

Investigations Division

IMMIGRATION
U
S
SPECIAL AGENT

CRIMINAL ALIENS

A REPORT TO THE
COMMITTEE ON APPROPRIATIONS
UNITED STATES SENATE

September 1, 1986

COINV-3

U.S. Department of Justice
Immigration and Naturalization Service

Office of the Commissioner
Washington, D.C. 20536

CO 703.1308

SEP 0 8 1986

Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On May 15, 1986, the Committee on Appropriations, in its report (99-301) on the Immigration and Naturalization Service (INS) supplemental appropriations bill, H.R. 4515, expressed its concern about the threat to the public safety caused by the presence of criminal aliens in the United States. Accordingly, the Committee directed the Attorney General, acting through INS, to provide a report detailing a strategy to investigate, apprehend and remove such aliens, on or before September 1, 1986.

The report was to include the following specifics:

- o The number of aliens referred to INS by Federal, State and local law enforcement agencies in 1985 for investigation as deportable criminal aliens;
- o The number of criminal aliens investigated and deported by INS in 1985, and in 1986 as of May 1;
- o The number of deportable criminal aliens who absconded in 1985, and in 1986 as of May 1;
- o The number of deportable criminal aliens currently under detention by the INS;
- o Of the cases in which it has been established that an alien meets the criteria for deportation as a criminal and/or illegal alien, how many have been in INS's files more than 6 months, and more than 1 year; and
- o The number of criminal investigators on duty since September 30, 1976.

Lastly, the report was to specify what percentage of productive investigative time INS district offices are instructed to expend on deportable criminal alien cases; the percentage of staff time and number of full-time equivalent years in each district dedicated to investigations of criminal aliens; and how many criminal alien cases district offices are instructed to successfully complete each year.

In response to the Committee's request, I am pleased to provide the following report. Should the Committee express such a desire, I will submit a supplemental report in the near future which provides further information concerning resource and legislative strategies designed to combat the problem of criminal aliens in the United States.

Sincerely,

Alan C. Nelson

ALAN C. NELSON
Commissioner

Enclosure

FOREWORD

This report has been prepared by the Immigration and Naturalization Service (INS), and is being provided to the Committee on Appropriations, United States Senate, at their request.* It details specific responses to specific questions posed by the Committee. It is not intended to, nor does it place any limitations on the lawful policy, procedural, investigative or litigative prerogatives of the INS or any other law enforcement agency, whether Federal, state or local in nature.

In some instances, the requested information could not be compiled from statistics presently kept in precisely the manner posed by the question(s). Those instances are noted in the responses enclosed in this report. In all instances, every attempt was made to be as responsive to the Committee's requests as possible. In order to accomplish this, field investigative and deportation units were requested to accumulate and/or estimate certain data, by telegram dated July 2, 1986. A copy of that wire is attached as Appendix A to this report.

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*See the introductory letter from Commissioner Alan C. Nelson to the Honorable Mark O. Hatfield, Chairman, Committee on Appropriations, United States Senate.

IMMIGRATION AND NATURALIZATION SERVICE
INVESTIGATIONS DIVISION

CRIMINAL ALIENS: A REPORT TO THE SENATE COMMITTEE ON APPROPRIATIONS

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EXECUTIVE SUMMARY

On May 15, 1986 the Committee on Appropriations, United States Senate, issued a report (99-301) on the INS supplemental appropriations bill, H.R. 4515. That report requested the Attorney General, acting through the Immigration and Naturalization Service (INS) to provide the Committee with a detailed strategy for investigating, apprehending, and deporting criminal aliens; including the specific plans of INS to implement this strategy.

In order to comprehend the manner in which INS treats criminal alien investigations, it should be understood that this is one of seven case categories identified under the Investigations Case Management System (ICMS). In Fiscal Year (FY) 1985, the second full year under this system, the following accomplishments were made in all ICMS categories:

- Special agents closed down 364 major fraud conspiracies, resulting in 846 criminal felony convictions;
- 36,305 aliens were identified as unlawfully applying for entitlement benefits, resulting in a savings of over $111 million to the administering agencies;
- Agents completed 1,600 notorious employer investigations, resulting in their cessation of hiring illegal aliens, as well as resulting in the apprehension of over 34,567 illegally employed aliens in the process;
- Agents also completed 12,499 criminal alien investigations through arrest and initiation of deportation proceedings.

All of the above was done with less agent and support resources than the Investigations program had available to it ten years ago, in FY 1976. Nonetheless, a recent survey conducted in response to the Committee revealed the following:

- In FY 1985, there were over 42,277 criminal alien referrals to INS by federal, state and local law enforcement agencies;
- In that same time frame, there were another 92,806 referrals to INS from law enforcement agencies about aliens suspected of various violations but not convicted.

This is a universe of over 135,000 referrals to INS from law enforcement agencies at all levels. In order to respond to the ever-increasing number of law enforcement referrals, INS has developed a multi-phased strategy:

PHASE I -- This phase can best be described as mandating management and administrative improvements.

PHASE II -- This phase increases INS efforts through limited tactical endeavors that have modest costs and manpower commitments associated with them.

PHASE III -- This phase includes major and simultaneous operations conducted at several major metropolitan areas throughout the United States.

PART I - OVERVIEW

SCOPE

On May 15, 1986 the Committee on Appropriations, United States Senate issued a report (99-301) on the INS supplemental appropriations bill, H.R. 4515. That report stated,

> " The Committee is concerned about the threat to the public safety posed by criminal aliens. The Attorney General, acting through the Immigration and Naturalization Service (INS) shall, no later than September 1, 1986, provide the Committee with a detailed strategy for investigating, apprehending, and deporting criminal aliens; and a report on the specific plans of INS to implement this strategy and to increase the number of criminal aliens it investigates, apprehends, and deports. The report also should include:
>
> --the number of aliens referred to INS by Federal, State and local law enforcement agencies in 1985 for investigation as deportable criminal aliens;
>
> --the number of criminal aliens investigated and deported by INS in 1985, and in 1986 as of May 1;
>
> --the number of deportable criminal aliens who absconded in 1985, and in 1986 as of May 1;
>
> --the number of deportable criminal aliens presently under detention by the INS;
>
> --of the cases in which it has been established that an alien meets the criteria for deportation as a criminal and/or illegal alien, how many have been in INS' files more than 6 months, and more than 1 year; and
>
> --the number of criminal investigators on duty since September 30, 1976.

> "The report should specify what percentage of productive investigative time INS district offices are instructed to expend on deportable criminal alien cases; the percentage of staff time and number of full-time equivalent years in each district dedicated to investigations of criminal aliens; and how many criminal alien cases district offices are instructed to successfully complete each year."

This report has been prepared in response to the Committee's request, and to document present initiatives to deal with it.

BACKGROUND

In order to fully comprehend the manner in which INS treats the investigation of criminal aliens, it should be understood that the responsible program, the Investigations Division, assigns such cases within a variety of other case types, categorized by "Impact Level" and "Line Number" within the Investigations Case Management System (ICMS). ICMS was implemented in mid-1983 to define and focus limited investigative resources on high impact areas of work. It is a tool for controlling the vast workload, and ensuring concentration on cases which make a measurable contribution toward efforts to deal with the problem of illegal immigration. The impact levels and line numbers are briefly explained below:

IMPACT LEVEL I, characterized by work having a significant impact on the control of legal immigration and the deterrence and detection of illegal immigration. The subcategories are:

- Line 511 - Criminal Aliens
- Line 511 - Notorious Employers
- Line 513 - Frauds
- Line 514 - Deterrence Programs

IMPACT LEVEL II protects the integrity of other Service programs and lists investigative functions that necessarily accompany both the visa issuing and expulsion processes. These subcategories are:

- Line 515 [Reserved for Future Use]
- Line 516 - Absconder Investigations
- Line 517 - Nonfraud Applications Investigations
- Line 518 - Aliens Illegally in the U.S. [This category also encompasses those aliens with criminal histories who are not amenable to deportation under the CIN provisions of the immigration laws (see the definition of Line 511 Criminal Aliens, above).]

IMPACT LEVEL III tracks activities that are minimally investigative in nature, but are administratively necessary. These subcategories include items such as equal employment opportunity (EEO) investigations, personnel background investigations, details to other program unit functions, etc.

CASE MANAGEMENT ACCOMPLISHMENTS

In 1985 the Investigations program operated for its second full year under ICMS. Significant accomplishments were made toward the highest priority cases. Note that they all relate directly or indirectly to criminal aliens. The problem for the United States is the illegal alien--employment, entitlements and crime are all by-products of current immigration laws, which do not deal effectively with illegal immigration in all its aspects.

- In-depth investigations aimed at criminal aliens and emerging criminal organizations with substantial alien membership or participation. Service special agents completed 12,499 cases against criminal and undesirable aliens during the last Fiscal Year, which resulted in their arrest and initiation of criminal prosecution and/or deportation proceedings.

- Conspiracies and large-scale immigration fraud and fraudulent document schemes. During FY 1985 our special agents closed down 364 major fraud schemes, involving perpetrators who distribute bogus documents, and high-profile arrangers and facilitators of fraud, which resulted in 846 individual convictions for felony violations.

- Fraud perpetrated by ineligible aliens in various government-subsidized entitlement benefit programs. During the Fiscal Year, 36,305 illegal aliens were identified as ineligible applicants for such programs. The savings obtained by not enrolling and/or removing these illegals was calculated to exceed $111 million. By comparison, the total Investigations budget was only $43 million, $38 million of which was expended on personnel services and benefits, primarily salaries.

- Deterrence efforts to impede illegal aliens from seeking and acquiring gainful employment in the United States, to the detriment of unemployed citizens and lawful resident aliens. In FY 1985 over 1,600 cases targeting notorious employers of illegal aliens were completed. More than 1,100 of these resulted in the cessation of hiring of illegal aliens. Furthermore, 34,567 employed deportable aliens were apprehended by Investigations special agents during these operations.

DIMENSIONS OF THE CRIMINAL ALIEN POPULATION

Notwithstanding the accomplishments of the Investigations Division in all areas, including criminal alien case investigations, there appears to be a growing disparity between the criminal alien population, and the INS resources available to deal with it. The growing dimensions of the problem cannot be disputed. For instance, the General Accounting Office has cited New York City statistics that:

- One of every ten felony arrestees is an alien;
- 21% of all homicide suspects are aliens; and
- In a fifteen month period in that city, 12,300 aliens were arrested for felonies, and an almost equal number for misdemeanors.

In a recent survey by Southern California law enforcement authorities, there were similarly disturbing statistics:

- 12 - 16% of all felony arrestees were believed to be illegal aliens;
- 25% of all auto theft arrestees were believed to be illegal aliens;
- 50 - 80% of the arrestees for selling "crack" cocaine in some counties were believed to be illegal aliens.

It is difficult to state with certainty whether this phenomenon is the result of the largest influx of immigrants, legal and illegal, since the Ellis Island era or whether it reflects the changing nature of the illegal population coming across our relatively porous borders. However, by letter dated July 3, 1986 the National Institute of Justice has advised Commissioner Alan Nelson of its intent to conduct an objective analysis of the phenomenon during the next several months in the cities of El Paso and San Diego. It is expected that this study will go far toward determining the reasons for this apparent explosion of alien involvement in criminal activities in the United States.

INS is committed to a course of action that will have an ameliorative effect on the problem of criminal aliens threatening the law-abiding citizens of our communities. This includes ensuring that an appropriate level of existing resources are dedicated to such investigations. But, we also seek the support of other executive and legislative bodies in providing INS with new resources and legislation commensurate with the full magnitude of the problem with which we are grappling. Public awareness may also serve to help INS in obtaining the investigative resources needed to devote to alien criminals without jeopardizing other important Service programs.

It should be recognized that criminal aliens are but a part of the larger phenomenon of illegal immigration, a problem of vast dimensions which affects the public safety, health, welfare, education and economy.

As such, any approach to the criminal alien problem must be conceived of as an integrated strategy which also attacks the other aspects of the larger problem in order to be successful.

However, the magnitude of the criminal alien population can be seen from the above cited statistics. It has been further exacerbated by steadily declining resources in the Investigations Division--from approximately 935 agents in 1976 to the present level of about 690. However, there are initiatives which can and are being taken to act as effectively as possible with available resources. The tasks proposed in this report should provide an immediate, effective response. These include the following:

1. A revision of the existing Attorney General's guidelines for INS cooperation with other law enforcement agencies, in order to establish an improved mutual attitude of respect and cooperation between INS and other enforcement agencies.

2. Increased use of, and integration with existing national automated law enforcement systems, such as the FBI's National Crime Information Center (NCIC) computer to enter outstanding warrants of deportation, thus enlisting the vast network of available state and local enforcement resources to locate and apprehend fugitive alien criminals. Accomplishment of this may, however, depend upon policy and regulatory change. It also implies continued growth of INS's automated data systems capacity.

3. Enlargement of INS participation in joint task force efforts of a proactive nature--particularly as relating specifically to narcotics traffickers and violators. Current initiatives in this regard include the INS decision to formally participate in the Organized Crime Drug Enforcement Task Force (OCDETF) program, and similar efforts on regional and local levels.

4. Dialogues with law enforcement, judicial, prosecutorial and correctional officials at all levels, to facilitate early identification of alien criminals in a less manpower-intensive fashion by concentrating on the "choke points" of intake and outprocessing centers in the criminal justice system. This is coupled with discussions between INS and the Executive Office for Immigration Review, to obtain hearings by immigration judges for these felons while still incarcerated, thus ensuring immediate removal upon release.

5. Lastly, where appropriate, special emphasis efforts by INS agents in conjunction with law enforcement, prosecutorial, judicial and correctional officials to process the aliens who are identified in the above-noted processes as convicted felons, recidivists, and risks to the public safety and security.

PART II - COMMITTEE INQUIRIES

COMMITTEE REQUEST #1

"Please provide the number of aliens referred to INS by Federal, State and local law enforcement agencies in 1985 for investigation as deportable criminal aliens."

RESPONSE

The Committee should be advised that presently, INS statistical data is not maintained in such a way as to permit determining the precise number of referrals made by other law enforcement agencies at all levels. Furthermore, such referrals do not all relate to criminal aliens, but are often made to bring to INS's attention aliens who are merely entrants without inspection, status violators or other violators of the administrative provisions of law who have come to the attention of these agencies.

This inability to discretely capture referrals made or received is not unique, however, to INS. For instance, in a report dated November 1985, the General Accounting Office (GAO) noted, "There are no data compiled [by Federal agencies] on the number of criminal complaints, matters or cases they referred to [State and local] authorities." (Source: GAO report entitled, "Coordination: Referral of Federal Criminal Cases to Local Law Enforcement Agencies.")

Nonetheless, within the context of criminal alien cases reported as received from all sources, managers of field investigative units were asked to estimate the number which had derived from law enforcement agencies. Their collated responses are attached as Appendix B. Additionally, managers were asked to provide an estimate of the number of law enforcement referrals which were received, and which related to arrests by those agencies, but did not constitute "criminal aliens" for lack of the conviction(s) necessary to deport the alien under the pertinent provisions of law. Their responses to this question are attached as Appendix C.

By combining the figures in the above two charts, a figure can be extrapolated of the universe of cases referred to INS by law enforcement agencies, in which allegations of criminal conduct or activity were involved. These totals are revealed in the attached Appendix D. As can be seen, given the present on-duty force of slightly less than 700 special agents, the potential workload is staggering--particularly when considering that this is exclusive of the other areas of program responsibility in which Investigations special agents are involved.

COMMITTEE REQUEST #2

"Please provide the number of criminal aliens investigated and deported by INS in 1985, and in 1986 as of May 1."

RESPONSE

The Committee is referred to the chart attached as Appendix E to this report, for the data requested. It should be noted, however, that as indicated previously, the figures represent only those investigations conducted under the definition of "criminal alien" presently utilized in the Investigations Case Management System (ICMS), i.e., one who is amenable to deportation under the criminal-immoral-narcotic (CIN) grounds provided for in the Immigration and Nationality Act (the "Act"), as amended.

The Committee should also be cognizant of the fact that there are many other investigations initiated and completed by INS investigative agents under other case definitions (i.e., "notorious employers," "fraud facilitators," etc.) in which aliens are apprehended who have significant criminal histories. However, for statistical purposes, such cases are not categorized as criminal alien investigations insofar as the method resulting in apprehension of these aliens involves other investigative efforts and case types. Data on the number of such aliens with criminal histories who are located and apprehended during other investigative efforts is not susceptible to isolation under the current statistical system.

Lastly, the Committee should be aware that even though deportation is the factor used in determining the success of any criminal alien case which is initiated by INS Investigations, in point of fact, actual removal is beyond the means of our agents to control. This depends on a variety of factors, such as: presence of an immigration judge to hear the case in an expeditious manner; availability of travel documents with which to remove the alien; likelihood of country of nationality to accept return of the alien; ad infinitum. The reason that this extraneous factor is nonetheless used as a success factor is to ensure that with the extremely limited resources available to perform investigative functions for INS, our agents exert their efforts and attentions toward those cases which will have the most likelihood of being removed from the community, and thus safeguarding the public safety within the means at our command.

Furthermore, the "success" criteria of removal indicated above sometimes occurs significantly after the completion of a case. This is frequently the situation where incarcerated aliens are concerned. The investigation is conducted, and statistically carried as completed with issuance of a detainer and order to show cause against the alien. However, removal is not effected until after discharge of the alien from his sentence, or release on parole. In long-term sentences, this may be years after the case has been completed, and so the "success" factor is not visibly evident although the investigating agent has fully performed his duties.

COMMITTEE REQUEST #3

"Please provide the number of criminal aliens who absconded in 1985, and in 1986 as of May 1."

RESPONSE

The Committee is referred to the chart attached as Appendix F to this report. These figures must be qualified, however, as follows:

Prior to Fiscal Year 1986, figures were not kept on the number of criminal aliens who absconded, as a discrete statistical category. Instead, the figures of alien absconders generally were maintained. Therefore, the figures provided are estimates for Fiscal Year 1985.

The figures provided for Fiscal Year 1986 can be statistically isolated by the category maintained under "criminal aliens"; it is these figures which have been provided. The Committee is reminded, however, that aliens with substantial criminal arrest histories who are apprehended under other case categories, such as fraud, will not be captured by this data (see the report response to Committee request #2). As a result, it can be stated with certainty that for the Committee's purposes, the figures annotated in this chart are likely to be low.

To provide the Committee with insight into the problem of alien absconders, a statistical survey performed by the Deportation and Detention Division for 1984 figures revealed that 76% of all aliens under final orders of deportation failed to surrender when directed to do so. This alarming percentage is indicative of the extent of absconders generally; there is no reason to believe that the percentage of alien criminals who abscond would be significantly different than that of the population of alien absconders as a whole.

There are a variety of reasons inherent in the present immigration hearing process which have led to this problem. It is symptomatic of the complex interplay of present regulations, policies and interpretations relating to bond and detention of alien violators; fragmentation of responsibilities for enforcing the removal of aliens between Investigations and Detention and Deportation; competing pressures for assignment of limited investigative resources; insufficient legal personnel and immigration judges for speedy conclusion of hearings; lengthy appellate actions; and impediments to the successful location of those individuals on whom investigation is initiated, such as inhibitive Privacy Act or Tax Reform Act restrictions which preclude access to valuable information on the absconder's whereabouts.

The important point to make in this regard is that a failure or inability by all of the involved decision units to accept shared responsibility for attacking the problem of alien absconders will ultimately undermine the credibility of the system as a whole. Several short and long-term strategy proposals have been adopted, and/or are in process, in order to address this problem. Some of them are as follows:

- Consolidate the apprehension function relating to alien absconders in the Detention and Deportation (D&D) Section, as recommended in the Deportation and Detention Docket Priority Management System. This relies on sufficient officer resources in D&D to assume this duty.

- Increase the minimum permissible amount for posting of bonds, across the board or on a sliding scale depending on the charge, the largest bond being for CIN offenses. There is precedent for a standard schedule in 8 C.F.R. 103.6 (d), for maintenance of status and departure bonds. A corresponding amendment would accomplish the same thing for delivery bonds.

- Institute adoption of federal court bail practices for INS administrative cases. Currently, the Bail Reform Act, as amended, has been held to be inapplicable to INS.

- Limit the amount of time permitted to effect voluntary departure in cases of alternate orders; and limit the number of "bites at the apple" an alien may obtain in bond redeterminations.

- Aggressively pursue summary dismissal of appeals when appropriate, as well as disciplinary proceedings against practitioners and representatives who abuse the hearing and appellate procedures with frivolous and dilatory activities.

- Seek remedial legislation amending the language of Section 242 (e) of the Act, to permit apprehension of alien absconders from deportation by local law enforcement officers.

- Seek legislation which makes bond jumping in expulsion proceedings a criminal offense with appropriate penalties.

- Consider the institution, by statute or regulation, of an administrative equivalent to the federal "Speedy Trial Act", to require expeditious disposition of all immigration cases.

- In cases of remote geographical distance from district and suboffice personnel but close proximity to Border Patrol stations, assign interim responsibility for apprehension of bag-and-baggage absconders to Patrol Agents.

- In selected sites, and with a few well-publicized but aggravated cases, push for prosecution of bag-and-baggage absconders by U.S. Attorneys Offices under Section 242 (e), for willful failure to report for deportation.

- Urge the cooperation of the General Counsel and EOIR in institution of a "task force" of immigration judges and trial attorneys to clean up the backlog of pending hearings, including hearings in absentia, in order to avoid a situation of stale cases by the time orders are final, and warrants of deportation are issued.

COMMITTEE REQUEST #4

"Please provide the number of deportable criminal aliens currently under detention by the INS."

RESPONSE

The chart attached to this report as Appendix G provides the Committee the figures requested. Note, however, that these figures relate only to aliens in the actual custody of INS, although in both Service and non-Service (contract) facilities. Note, also, that the figure is exclusive of "Marielito" Cuban detainees in Service custody because their parole has been revoked.

There are an undetermined number of aliens against whom detainers are lodged by Service officers, but whom have not been received into custody because the holding authority has not released them. Such detainers are placed into individual alien ("A") files, and would require a search of each and every file in order to obtain an accurate number. Insofar as there are millions of these "A" files, this figure is unattainable.

COMMITTEE REQUEST #5

"Of the cases in which it has been established that an alien meets the criteria for deportation as a criminal and/or illegal alien, how many have been in INS's files more than 6 months, and more than one year."

RESPONSE

Again, a chart has been provided for the Committee's reference, as Appendix H, which shows the two discrete figures requested. The Committee should be aware that in many instances, the files are in INS district office "institution" drawers. That is, the alien to whom the file relates is an incarcerated alien serving a criminal sentence in a state or federal penal institution.

As was explained above, in response to Committee request #2, investigations are conducted, detainers lodged with the holding facility, and orders to show cause (OSC) issued by the Service. However, such files remain dormant pending the alien's release into INS custody for service of the OSC upon the alien and commencement of the deportation proceeding. We believe that the Committee's actual concern may be those cases in which either (A) notification is given to INS by the correctional or police authorities, but no action ensues; or (B) those cases in which a deportable alien is, in fact, incarcerated in a penal institution for commission of a crime but does not come to the attention of INS, due to poor communications between the police and/or correctional authorities, and the INS. These cases are not quantifiable. INS recognizes its joint responsibilities with the police and correctional authorities, however, and believes that the Committee's concerns in this regard are best addressed by the "strategies" portion of the report.

COMMITTEE REQUEST #6

"Please provide the number of criminal investigators on duty since September 30, 1976."

RESPONSE

The Committee is referred to Appendices I and J, attached to the report. Appendix I graphically shows the decline of Investigations special agents. As can be seen, there has been a steady erosion of on duty agents available during the past decade; from 935 in 1976 to the present number of approximately 690. This represents a resource diminution of 26%.

There has been a corresponding decline in support staff as well. Appendix J indicates the overall decline in resources for agents, support staff and the combined total. This chart also indicates the decline (although not nearly so dramatic) of authorized positions for the Investigations program. To put this figure into a perspective, one can compare the authorized versus on duty positions, from 1976 to 1986:

	AUTHORIZED	ON-DUTY	FUNDED LEVEL
1976	1345	1268	94%
1986	1020	842	82%

During the same period as this decline, both in authorized positions and in funded, on duty agents, potential workloads have risen dramatically, thus exacerbating the discrepancy of agents to cases. The increase of this workload potential can best be observed by the facts that:

- According to demographers, long-term immigration to this country, both legal and illegal, is at its highest peak in over fifty years;
- Over 100 million aliens were admitted to the U.S. last year as non-immigrants alone--even a fraction of these aliens running afoul of the criminal or administrative laws involves a tremendous commitment of resources.
- The past two years have seen overall INS apprehensions top the 1.2 million mark. Yet INS estimates that only one-third of the aliens entering illegally are being apprehended.

A factor to be noted by the Committee in assessing the above statistics is that INS for several years pursued a strategy that relied on a two-step process of (1) enhancement of border resources, to be followed by (2) enhancement of interior enforcement component resources.

The first step was accomplished through significant additional border enforcement positions--nearly 1,000. However, the second step has yet to come to fruition, in part due to the fact that these positions have been tied to the comprehensive immigration reform legislation that is pending before Congress.

As can be seen, and as was stated earlier, addressing one part of the overall illegal immigration problem without due regard for its interplay with the other aspects, will not have the desired effect. Congress must enact comprehensive reform legislation as requested by the Administration since 1981.

COMMITTEE REQUEST #7

"Please specify [A] what percentage of productive investigative time INS district offices are instructed to expend on deportable criminal alien cases; [B] the percentage of staff time and number of full-time equivalent years in each district dedicated to investigations of criminal aliens; and [C] how many criminal alien cases district offices are instructed to successfully complete each year."

RESPONSE

The Committee was provided a brief summary of the workings of the Investigations Case Management System (ICMS) in the portion of the report entitled "Background". That summary is important in understanding the impact levels assigned to case types. However, equally important is understanding the assignment of priorities through the Commissioner's Priorities Management System (PMS), which is conducted in a broader scope than the Investigations program, and involves Servicewide programs and operational units. Within that environment investigative priorities are provided to the Investigations program generally, and field investigative units particularly. The Committee's request has been divided for ease of interpretation.

[A] In Fiscal Years 1985 and 1986, there have been no specific assignments of percentage time within PMS which related solely to deportable criminal aliens.

1985 Under the priority, "Target Interior Enforcement", district offices were directed to expend at least 80% of their productive investigative time on Impact Level I cases, which include the Line 511 category criminal alien cases. However, of this percentage, 15% was to be devoted to single-party fraud cases, leaving an effective 65% for use, at the discretion of the districts, in the other Impact Level I line numbers as necessary, including Line 511. The remainder of the time was allocated to Impact Level II and III cases, to be determined in the discretion of the districts. These cases would include those involving aliens with criminal histories, but not amenable to classification as a "criminal alien" by INS definition, i.e., deportable on the basis of criminal-immoral-narcotic convictions. Lastly, district offices were directed to expend significant efforts in obtaining criminal convictions of alien law violators. This goal was accomplished at year's end through the conviction of 846 aliens, and assessment of $259,767 in fines.

1986 Again under the priority, "Target Interior Enforcement", district offices were directed to expend 80% of their productive investigative time on Impact Level I cases, of which 40% was to be devoted to fraud, leaving an effective 40% of discretionary Impact Level I time. The remainder of productive time available, 20%, was also discretionary and available to districts for use in any impact level, including Line 511 Criminal Aliens, or Line 518 Status Violators who had significant criminal histories, but nonetheless did not meet the definition of a criminal alien, for lack of deportability on the basis of criminal-immoral-narcotic convictions.

[B] Attached as Appendix K, for the Committee's review, is the actual productive time expended by district offices on Line 511 Criminal Alien cases for FY 1985. The time expended on status violators who had significant criminal histories is not susceptible to capture, as they are not distinguished from other status violators who have no criminal histories. For that reason, these figures are not provided.

[C] As indicated in the prior responses, there have been no numerical goals assigned in this category of investigative case. The Committee is also reminded that by definition, no case is successful until removal has been effected; however, removal is a factor beyond the actual control of the Investigations program (see the response to Committee request #2). For that reason, numerical goals assigned would more likely revolve around completions than successful completions.

APPENDIX A

TELEGRAPHIC MESSAGE

IMMIGRATION AND NATURALIZATION SERVICE PRIORITY UNCLASSIFIED
WASHINGTON, D.C.

1561217/61CE1231 JULY 2, 1986 CO 715-C
633-3098

PRIORITY. ROCOMS (ROINV, RODDP); DIDIRS (DIINV, DIDDP) EXCEPT FOREIGN.

THE SENATE COMMITTEE ON APPROPRIATIONS HAS ISSUED ITS REPORT AND RECOMMENDATIONS RELATING TO H.R. 4515, THE INS SUPPLEMENTAL APPROPRIATIONS BILL. THAT REPORT STATES IN PERTINENT PART, "THE COMMITTEE IS CONCERNED ABOUT THE THREAT TO PUBLIC SAFETY POSED BY CRIMINAL ALIENS. THE ATTORNEY GENERAL, ACTING THROUGH THE IMMIGRATION AND NATURALIZATION SERVICE [INS] SHALL, NO LATER THAN SEPTEMBER 1, 1986, PROVIDE THE COMMITTEE WITH A DETAILED STRATEGY FOR INVESTIGATING, APPREHENDING, AND DEPORTING CRIMINAL ALIENS..."

SOME OF THE REQUESTED INFORMATION CANNOT BE COMPILED FROM THE STATISTICS PRESENTLY KEPT. THEREFORE, IN ORDER TO COMPLY WITH THE MANDATE OF THE COMMITTEE, COINV AND CODDP ARE REQUESTING THE ASSISTANCE OF REGIONS AND DISTRICT OFFICES IN PREPARING THE DATA AS CLOSELY AS POSSIBLE TO THE COMMITTEE'S DESIRES. DISTRICT RESPONSES SHOULD INCLUDE DATA COLLECTED FROM SUBOFFICES AND SERVICE PROCESSING CENTERS UNDER THEIR JURISDICTION. THE SPECIFICS REQUESTED FROM THE FIELD INCLUDE THE FOLLOWING:

1. (INV) THE NUMBER OF ALIENS REFERRED TO INS BY FEDERAL, STATE AND LOCAL LAW ENFORCEMENT AGENCIES IN 1985 FOR INVESTIGATION AS DEPORTABLE CRIMINAL ALIENS (ESTIMATED NUMBER TO BE ARRIVED AT BY DETERMINING THE PERCENTAGE OF TOTAL LINE 511 RECEIPTS WHICH DERIVED FROM LAW ENFORCEMENT SOURCES IN YOUR OFFICE);

2. (INV) THE NUMBER OF ALIENS REFERRED TO INS BY LAW ENFORCEMENT AGENCIES WHICH HAVE BEEN ARRESTED BY THOSE AGENCIES, BUT DO NOT MEET 511 CRITERIA FOR LACK OF CONVICTIONS, ETC. (ESTIMATED NUMBER TO BE ARRIVED AT BY DETERMINING THE RATIO OF THESE REFERRALS TO LINE 511 REFERRALS);
3. (DDP) THE CLOSEOUTS OF CRIMINAL ALIENS DEPORTED BY INS IN 1985, AND IN 1986 AS OF MAY 1;
4. (DDP) THE NUMBER OF DEPORTABLE CRIMINAL ALIENS WHO ABSCONDED IN 1985, AND IN 1986 AS OF MAY 1 (PER CATEGORY 5 DOCKET);
5. (INV AND DDP) THE NUMBER OF INSTITUTION/JAIL CASES IN YOUR OFFICE WHICH HAVE BEEN PENDING [A] OVER 6 MONTHS, AND [B] OVER 1 YEAR.
6. (DDP) THE NUMBER OF DEPORTABLE CRIMINAL ALIENS (EXCLUDING MARIEL CUBANS) PRESENTLY UNDER DETENTION BY INS IN BOTH SERVICE AND NON-SERVICE FACILITIES.

EACH DISTRICT/SUBOFFICE/SPC IS REQUESTED TO ASSESS THE ABOVE REQUESTS AND PROVIDE ITS RESPONSES TO THE REGION NO LATER THAN JULY 15, 1986. REGIONS ARE REQUESTED TO COLLATE THE RESPONSES FOR FORWARDING TO COINV NO LATER THAN JULY 20, ATTN: SSA W. CADMAN. QUESTIONS REGARDING THE INVESTIGATIVE INFORMATION MAY BE ADDRESSED TO CADMAN AT FTS 633-3098. QUESTIONS REGARDING THE DEPORTATION INFORMATION MAY BE ADDRESSED TO CODDP, ATTN: CLIFF LANDSMAN, FTS 633-4121. BENED ALL ADDRESSEES.

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APPENDIX B

THE NUMBER OF DEPORTABLE ALIENS REFERRED TO INS FOR INVESTIGATION BY FEDERAL, STATE AND LOCAL LAW ENFORCEMENT AGENCIES IN 1985 WHO ARE DEFINED BY INS AS CRIMINAL ALIENS BY VIRTUE OF CONVICTION[1]

OFFICE	NUMBER[2]
EASTERN REGION*	17,243
WESTERN REGION*	20,394
NORTHERN REGION*	1,564
SOUTHERN REGION*	3,076
SERVICEWIDE TOTAL	42,277

*The regions have jurisdiction over district offices as follows:
EASTERN: Baltimore, MD.; Boston, MA.; Buffalo, NY.; Newark, NJ.; New York, NY.; Philadelphia, PA.; San Juan, PR.; Washington, D.C.
WESTERN: Honolulu, HI.; Los Angeles, CA.; Phoenix, AZ.; San Diego, CA.; San Francisco, CA.
NORTHERN: Anchorage, AL.; Chicago, IL.; Cleveland, OH.; Denver, CO.; Detroit, MI.; Helena, MT.; Kansas City, MO.; Omaha, NE.; Portland, OR.; Seattle, WA.; St. Paul, MN.
SOUTHERN: Atlanta, GA.; Dallas, TX.; El Paso, TX.; Harlingen, TX.; Houston, TX.; Miami, FL.; New Orleans, LA.; San Antonio, TX.

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[1] There are several provisions of the Immigration and Nationality Act which relate to the deportation of aliens on the basis of criminal-immoral-narcotic (CIN) activities. The two primary provisions are Section 241(a)(4), relating to conviction for crimes involving moral turpitude (CIMT); and Section 241(a)(11), relating to narcotics convictions. Aliens who are investigated and determined to be deportable for those CIN/CIMT offenses are classified as "criminal aliens". Some crimes, however, are not classifiable as CIMT's and/or do not render an alien deportable by statute. For this reason, such aliens, despite their criminal histories, are not statistically carried as "criminal aliens."

[2] Figures estimated by field offices at Central Office request. Refer to Appendix A for the specific question posed.

APPENDIX C

THE NUMBER OF DEPORTABLE ALIENS REFERRED TO INS FOR INVESTIGATION BY FEDERAL, STATE AND LOCAL LAW ENFORCEMENT AGENCIES IN 1985 WHO ARE NOT DEFINED BY INS AS CRIMINAL ALIENS[3]

OFFICE	NUMBER[4]
EASTERN REGION	14,032
WESTERN REGION	67,392
NORTHERN REGION	5,247
SOUTHERN REGION	6,135
SERVICEWIDE TOTAL	92,806

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[3] These aliens are those who either were: (A) arrested, many repeatedly and for a variety of charges including violent crimes, narcotics, and other street crimes, but were not convicted and therefore not deportable under the CIN provisions of the Act; or (B) convicted, but not of offenses which rendered them deportable under the CIN provisions. Such aliens are usually processed into the system as "status violators" and charged with deportability for entry without inspection, visa overstay or the like.

[4] Figures estimated by field offices at Central Office request. Refer to Appendix A for the specific question posed.

APPENDIX D

THE TOTAL NUMBER OF DEPORTABLE ALIENS REFERRED TO INS FOR INVESTIGATION BY FEDERAL, STATE AND LOCAL LAW ENFORCEMENT AGENCIES IN 1985 ON THE BASIS OF CRIMINAL ARRESTS, CONDUCT OR ACTIVITIES

OFFICE	NUMBER[5]
EASTERN REGION	31,275
WESTERN REGION	87,786
NORTHERN REGION	6,811
SOUTHERN REGION	9,211
SERVICEWIDE TOTAL	135,083

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[5] Figures estimated by field offices at Central Office request. Refer to Appendix A for the specific question posed.

APPENDIX E

THE NUMBER OF ALIENS INVESTIGATED AND DEPORTED BY INS AS CRIMINAL ALIENS IN 1985, AND 1986 AS OF MAY 1

YEAR	1985	1986	TOTAL	1985	1986	TOTAL
OFFICE	NUMBER OF COMPLETED INVESTIGATIONS[6]			NUMBER OF DEPORTATIONS EFFECTED		
EASTERN REGION.......	..2,970	..1,552	..4,342	543	283	826
WESTERN REGION.......	..5,222	..3,665	..8,887	...3,317	1,602	...4,919
NORTHERN REGION......	..1,588	..1,160	..2,748	734	580	...1,314
SOUTHERN REGION......	..2,719	..2,171	..4,890	NOT BROKEN DOWN .....BY YEAR......		...1,399
SERVICEWIDE TOTAL................	.12,499	..8,548	.20,867	..UNKN..	..UNKN...	...8,458

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[6] Note that the statistics in the completed investigations category were derived from field operations statistical (G-23) reports, which are compiled quarterly. For this reason, the statistics shown for FY 1986 reflect completions through the third quarter (June 1986). On the other hand, the deportations effected are reflective of an actual hand count by field offices, conducted at the request of the Central Office, by the wire referenced previously as Appendix A.

APPENDIX F

THE NUMBER OF CRIMINAL ALIENS WHO ABSCONDED IN 1985, AND IN 1986 AS OF MAY 1

YEAR	1985	1986	TOTAL
OFFICE			NUMBER
EASTERN REGION	111	57	168
WESTERN REGION	106	68	174
NORTHERN REGION	(NOT BROKEN DOWN BY YEAR)		306
SOUTHERN REGION	(NOT BROKEN DOWN BY YEAR)		1,230
SERVICEWIDE TOTAL	UNKNOWN	UNKNOWN	1,878

APPENDIX G

THE NUMBER OF DEPORTABLE CRIMINAL ALIENS CURRENTLY UNDER DETENTION BY THE INS

OFFICE	NUMBER[7]
EASTERN REGION	126
WESTERN REGION	207
NORTHERN REGION	213
SOUTHERN REGION	50
SERVICEWIDE TOTAL	596

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[7] This figure was accurate as of July 14, 1986, the date the last response was received from field offices via the regions; subsequent removals and/or assumptions of custody are likely to have occurred since that date. Refer to Appendix A for the specific question posed.

APPENDIX H

THE NUMBER OF DEPORTABLE CRIMINAL ALIENS WHO HAVE BEEN IN INS FILES [A] MORE THAN 6 MOS., [B] MORE THAN 1 YR.

TIME PERIOD	OVER 6 MOS.	OVER 1 YR.	TOTAL
OFFICE			NUMBER
EASTERN REGION.......	550	1,164	1,714
WESTERN REGION[8]......	1,390	2,358	3,748
NORTHERN REGION......	454	911	1,365
SOUTHERN REGION......	625	1,374	1,999
SERVICEWIDE TOTAL................	3,019	5,807	8,826

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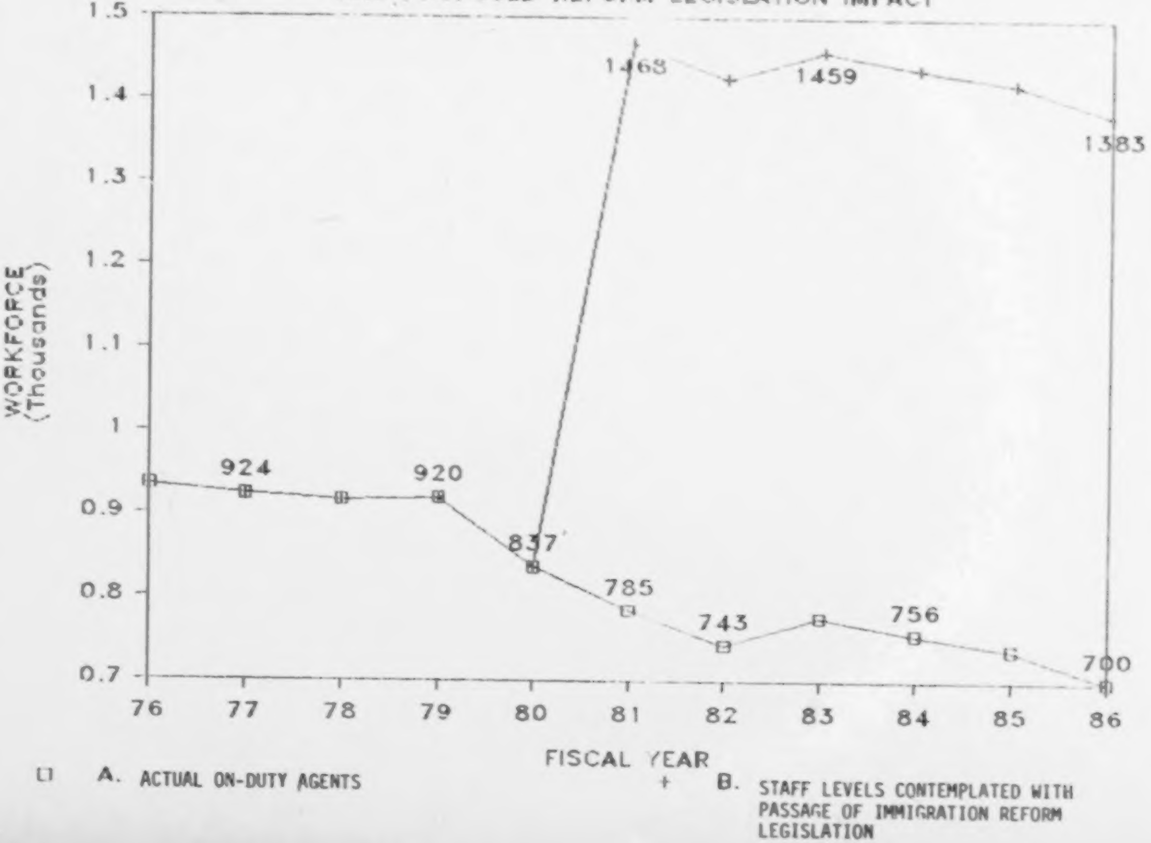
[8] Note that in its response to the Central Office telegram request, the Western Region also indicated the following figures: 1,157 incarcerated criminal aliens against whom detainers and OSC's had been issued within the last 6 months; and an estimated 8,985 incarcerated aliens within the penal systems of that region against whom no action had yet been taken.

APPENDIX I

INVESTIGATIONS DIVISION AGENTS ON-DUTY

AND PROPOSED REFORM LEGISLATION IMPACT



APPENDIX J

INVESTIGATIONS DIVISION

Year	Authorized Positions			On Duty Personnel (FY End)		
	Officers	Support	Total	Officers	Support	Total
76	992	353	1345	935	333	1268
77	980	380	1360	924	358	1282
78	980	380	1360	917	356	1273
79	973	247	1220	920	222	1142
80	882	220	1102	837	183	1020
81	856	196	1052	785	144	929
82	842	210	1052	743	145	888
83	855	170	1025	776	148	924
84	845	177	1022	756	144	900
85	838	183	1021	738	155	893
86	816	204	1020	700	142	842

APPENDIX K

(FY 1985 DATA)

DISTRICT	AGENT WORKYEARS DEVOTED TO CRIMINAL ALIENS	TOTAL AGENT WORKYEARS	PERCENT AGENT HOURS DEVOTED TO CRIMINAL ALIENS
BOSTON,MA	7.79	17.75	43.87%
NEW YORK,NY	15.81	98.91	15.99%
PHILADELPHIA,PA	2.69	14.76	18.22%
BALTIMORE,MD	1.86	10.73	17.37%
BUFFALO,NY	3.44	10.40	33.08%
NEWARK,NJ	4.12	25.26	16.29%
PORTLAND,ME	0.69	3.57	19.27%
HARTFORD,CT	1.46	7.12	20.46%
WASHINGTON,DC	1.26	13.00	9.70%
SAN JUAN,PR	1.26	16.99	7.40%
EASTERN	40.37	218.50	18.48%
MIAMI,FL	6.18	21.72	28.45%
SAN ANTONIO,TX	2.11	14.18	14.85%
EL PASO,TX	2.05	12.18	16.80%
ATLANTA,GA	1.34	7.76	17.31%
NEW ORLEANS,LA	3.11	13.77	22.62%
DALLAS,TX	1.95	16.61	11.73%
HOUSTON,TX	2.63	14.73	17.87%
HARLINGEN,TX	0.62	4.50	13.68%
SOUTHERN	19.98	105.43	18.95%
DETROIT,MI	3.40	12.13	28.07%
CHICAGO,IL	9.79	46.20	21.19%
ST PAUL,MN	0.41	3.24	12.51%
KANSAS CITY,MO	0.79	6.11	12.98%
SEATTLE,WA	2.85	10.98	25.97%
CLEVELAND,OH	1.64	8.27	19.82%
OMAHA,NE	0.64	3.96	16.08%
HELENA,MT	0.55	4.29	12.92%
PORTLAND,OR	0.90	5.03	17.83%
ANCHORAGE,AK	0.20	1.88	10.81%
DENVER,CO	1.99	11.58	17.22%
NORTHERN	23.17	113.68	20.38%
SAN FRANCISCO,CA	10.34	43.82	23.59%
LOS ANGELES,CA	13.55	54.30	24.95%
HONOLULU,HI	1.63	7.80	20.87%
PHOENIX,AZ	6.70	17.05	39.27%
SAN DIEGO,CA	2.18	12.23	17.81%
WESTERN	34.39 7	135.22	25.43%
SERVICEWIDE	117.92	572.82	20.59%

PART III - STRATEGIES FOR IMMEDIATE IMPLEMENTATION

SYNOPSIS

A three-phase strategy has been developed in response to the criminal alien problem. Each phase, while inter-related, is not inter-dependent. In this way, impediments encountered in the successful accomplishment of critical goals in any one phase will not have an adverse impact on the pursuit of goals in any other phase. A brief description of these phases follows:

- PHASE I -- This phase identifies strategies to be accomplished within present resource commitments, priorities and program responsibilities. It can best be described as mandating management and administrative improvements.

- PHASE II -- This phase increases INS efforts through major, but geographically limited tactical endeavors that have modest, absorbable costs and temporary manpower commitments associated with them. This phase can be sustained indefinitely, but should be viewed as temporary, and short-term in nature. It should be used to identify "hot spots" where maximum benefit can be realized. Investigative commitment can be made without supplemental funding or significant change in priorities.

- PHASE III -- This phase is similar to that in PHASE II, but increases costs and manpower commitments significantly. This would include multiple and/or simultaneous operations conducted nationally or, at a minimum, at several major metropolitan areas throughout the United States. This would necessitate substantial funding and a change, at least temporarily, in priorities.

PHASE I

Phase I is oriented toward administrative improvements of current systems through such initiatives as promulgating the new Attorney General's guidelines for INS cooperation with other law enforcement agencies;

increased use of and integration with existing national (and local) automated law enforcement systems to more effectively apprehend fugitive alien criminals; implementation on a national level of successful local choke-point criminal referral and processing models; and initiation of administrative and management remedies to more expeditiously hear cases and effect deportation.

Revision of guidelines on INS cooperation with otner enforcement agencies: The prior Attorney General's guidelines for INS cooperation with state and local law enforcement (the "Smith Directive") were issued in 1983 and are still in force. The Smith Directive replaced the prior Bell Directive issued in 1978, which was interpreted as discouraging cooperation between INS and state and local law enforcement. INS believes that modification of this directive would encourage greater cooperation, and serve the public interest. A draft revision to the guidelines has been developed, which is now pending review and approval by Attorney General Meese.

The proposed revisions to the guidelines are substantive and would result in a significant improvement in our liaison and cooperation with other law enforcement agencies at the federal, state and local levels. The proposed guidelines would also strike a fair and balanced approach to INS resource limitations and the need to enforce the immigration laws against egregious violators, versus the need to respond to police departments in every instance, no matter how minor the issue.

Establishment of "Chokepoints": In an effort to immediately respond to the growing number of criminal aliens who pose a threat to the well-being and security of citizens throughout the United States, the Service will implement the following:

Within a predefined period of time, all district office investigations units will contact representatives of many local, state and federal law enforcement, prosecutive, judicial and correctional officials that regularly encounter or control significant numbers of criminal aliens.

Upon a determination of the appropriate "chokepoints" within the criminal justice systems composed of those agencies, a dialogue will be initiated with the appropriate officials. The purpose of this dialogue will be to come to an agreement outlining acceptable procedures for the notification of suspected aliens involved in serious criminal activities. Where necessary, these agreements will be formalized by memorandums of understanding, to be forwarded to INS Central Office for final approval within sixty days. All INS district offices will thus be required to establish an effective monitoring system for all criminal aliens incarcerated within their district area of responsibility through implementation of the three tasks noted below.

1. Agreements with federal, state and local law enforcement agencies establishing chokepoints at the time of arrest, but pre-trial, which provide for:

   - A definition of those criminal aliens who pose a particular threat to the citizens in any specific area; and

   - Procedures for notifying INS investigations of those suspected illegal aliens; and

   - The commitment to conduct Service record checks, ideally through provision of an INS database line to the law enforcement agency, and the commitment to do follow-up processing.

Agreements with other law enforcement agencies on what categories of criminal aliens to be defined for joint investigations/ apprehensions will result in mutually acceptable targets on which to commit resources, and thus ensure logical guidelines and mutual responsibility for use of the manpower resources and detention facilities required in these joint operations. This step also ensures that a proactive stance is taken by INS in combating the criminal alien problem, as well as reacting after prosecution and/or incarceration, as detailed below.

2. Agreements with federal, state and local prosecutorial, judicial and probation and parole authorities to identify chokepoints at that point of the criminal justice system which is post-arrest, but prior to a determination to incarcerate, to provide for:

   - Immediate notification to INS of the determination to nolle pros, dismiss or otherwise terminate proceedings in favor of the alien defendant, who may in some instances still be amenable to deportation proceedings;

   - Contact with INS at the time of pre-bail, pre-sentence or pre-parole investigations by probation and parole officers, to ensure that the adjudicating authorities are fully aware of the alien's immigration status in issuing their decision(s).

   - Sentencing, or conditions of release on bail, probation or parole which require submission of the alien defendant to INS authorities for processing, appearance at all deportation proceedings, and submission to removal if deportability is determined by an immigration judge.

Such steps assure the presence of the alien at all required hearings while ensuring compliance with his or her due process rights; they also contemplate special conditions of release which stipulate that should the alien return illegally during the period of probation, parole, pre-trial diversion, etc., he or she will be returned for full completion of sentence or trial, as appropriate.

3. Agreements with state and federal correctional authorities establishing chokepoints at the ultimate part of the criminal justice system, i.e., during or post-incarceration (such as parole). The purpose of such chokepoints is to provide for:

   - Timely notification of suspected aliens incarcerated for serious felony offenses;

- Efficient procedures for interviewing targeted aliens;
- Methods for ensuring the presence of alien offenders at mutually agreeable locations for multiple hearing details by immigration judges, while the aliens are still incarcerated, thus reducing INS detention costs upon assumption of custody.

Among the initiatives contemplated within this category over the long term are: possible incarceration of alien inmates in regional facilities; enhancement of prisoner exchange treaties and remove aliens offenders to serve their sentences in their countries of origin; special parole conditions requiring submission to the deportation process upon a finding of deportability by an immigration judge.

Integration of Automated Systems: The INS has taken a forthright position that apprehension of alien fugitives wanted for deportation--particularly on CIN grounds-- by any law enforcement officer is a legitimate extension of the principal of inter-agency, intergovernmental cooperation. As such, other agencies are encouraged to assist INS in the apprehension of fugitives from legal process. A current INS initiative calls for entering warrants of deportation issued on such grounds into the FBI's National Crime Information Center (NCIC) computer.

However, the feasibility of integrating INS computer databases with existing automated law enforcement computer systems should be explored further. Possible avenues for these national computer network links should include information concerning arrests, convictions, outstanding warrants, and probable date of release once the alien is sentenced and incarcerated. On the one hand, ready accessibility of such data to INS agents within their district office environment would make criminal alien investigations less manpower-intensive and thus more efficient. On the other, provision of limited INS data base information to other law enforcement agencies within their headquarters or precinct environments would also be beneficial through permitting police or other criminal justice officials to adequately screen potential referrals to INS prior to making the actual referral, thus saving wasted investigative effort in those instances where the subject referred is not amenable to Service action.

PHASE II - SHORT-TERM FOCUSED OPERATIONS

Phases II and III actively focus on tactical efforts directed at egregious alien criminal violators. As Phase I enhancements are being implemented at the headquarters and local levels, Phase II operations will be initiated at a small number of key locations. Phase II operations will focus on criminal "hot spots" where a maximum return on current resource commitments may be realized through temporary redirection of those resources.

Definition of "Operations": These operations may be defined as localized, short-term, tactical mixed squad efforts which target specific alien criminals of concern to both INS and other law enforcement entities.

Targets would include narcotics traffickers and violators, convicted felons, recidivists, and risks to public safety and security. Operations will be patterned on the successful Mariel Cuban criminal violator models previously perfected in some districts, that is: mixed squad operations, characterized by active, shared participation by INS, local and state police tactical squads and narcotics units. This could take one of several proactive forms: coordinated, well-timed arrests of a number of known criminal alien violators as in the aforementioned criminal Cuban operations; Operation F.I.S.T.-type call-in operations involving large numbers of criminal fugitives along the U.S. Marshals Service models (which have already been utilized with success in the INS El Paso District Office) or coordinated raids targeting specific areas where criminal alien violators are known to congregate ("crack" houses, heroin "shooting galleries", corners or blocks of high volume narcotics transactions, prostitution, etc.).

INS Commitments: Under Phase II, a limited number of operations will be conducted in two major INS districts--New York City and Los Angeles--by drawing from existing manpower and resources. The initial commitment will be a core INS squad at each location of approximately 5-6 special agents, under a team leader. With the cooperation and assistance of local managers, this core squad will be responsible for:

(1) selecting mutually satisfactory targets with the local police;

(2) setting up parameters of the operation (number of places to be searched, time, etc.);

(3) arranging for directed police surveillance (in support of INS efforts in obtaining the warrants of inspection--the police localize the target, INS affirms target's alienage and illegality);

(4) obtaining any necessary advance specialized training from local or state police sources (e.g., high risk entry and warrant execution), and equipment (shotguns, vests, pry bars);

(5) obtaining necessary INS support (Anti-Smuggling, Detention and Deportation, Border Patrol, etc.) and necessary state/local/federal support for the anticipated violator population;

(6) arranging for any undercover or backup props, such as rented space for F.I.S.T. type scams, telephone lines, etc.;

(7) alerting U. S. Attorney of potential volume of prosecutable targets; and,

(8) handling press, statistics, and any other INS violations and follow-up.

Commensurate local resource commitments are expected initially, with sizeable additional INS and local/state/federal enforcement commitments forthcoming when the actual operation takes place. Limited detailing of INS agents experienced in setting up this type of tactical operation may be necessary as the program is initiated and as the first operations take place in these cities.

Targeting Criteria: INS will take the lead in determining the criteria for focusing on the principal alien targets of these mixed squad operations. Most of the aliens targeted in any one operation should fit within one of the following categories: deportable under Section 241(a)(11); deportable under 241(a)(4); deportable for having been excludable at entry under one or more of the criminal or narcotics sections of the law; significant criminal history, known to be violent and deportable on other INS charges.

INS and the involved law enforcement agencies will share the lead in refining the focus of these operations by determining if the operations would be most effective if directed towards one violator population by nationality (e.g., Colombian narcotics traffickers), by area (precinct, borough, block), by number of arrests, or by a sliding scale gauged by what intelligence information local police departments/narcotics units/intelligence units already have or can get, whom they want to target, and whom INS can pragmatically expect to remove expeditiously.

Local Agencies' Responsibilities: Local police should be responsible for assisting in identifying the targets of these operations; providing usable, identifying information in support of administrative immigration warrants or criminal arrest warrants and court orders of entry, if necessary; conducting surveillance; providing back-up; smoothly handling the arrests of wanted non-alien confederates/ cohabitants encountered; prosecuting alien violators on state and local charges (if deemed more effective than expeditious removal); honestly assessing the effectiveness of the program; and sharing media exposure.

Provisions must be made with local/state/other federal authorities for the arrest of wanted non-alien confederates (identifiable through mobile computer hookup) and for the seizure of contraband (drugs, stolen property, gambling receipts, counterfeit documents, etc.).

Time and Duration of Phase: Local INS resources as described above under this phase can be committed immediately, with the first operation (if non-F.I.S.T. in nature) anticipated within 21-30 days. The same type of operation may be repeated within 21-30 days in a different township, precinct, or borough, or a different type of mixed squad operation in the same area within the same time frame. If multiple squads of 5-6 agents are created at New York City and Los Angeles, operations may be repeated more frequently depending upon the success of the initial operations.

PHASE III - EXPANDED TACTICAL OPERATIONS

This phase expands the initial pilot operations at New York City and Los Angeles to three additional INS districts--Houston, Miami, and Chicago--provides for increased resource commitments, and establishes a mechanism for the expansion of these tactical operations nationally.

Phase III operations will have the same focus and will use the same tactics as Phase II operations. Unlike Phase II operations, however--which will be conducted with existing local resources at INS' two largest districts--Phase III operations will involve the commitment of new resources or significant redirection of resources from other jurisdictions or enforcement priorities.

Project Expansion

Based on the success of INS' initial efforts at the first two offices (and following any necessary tactical modifications), the project will be expanded first to Houston, Miami, and Chicago. These districts with proportionately fewer agents to draw from than the first two offices (Los Angeles is expected to be able to draw upon Anti-Smuggling Unit and Border

Patrol so probably has a greater number of immediate area resources than Chicago) may need to rely upon detailed agents to set up effective special tactical operations.

First, details should be considered into these three cities for one or two agents with experience in setting up this type of projects (as for example, agents from cities with similar prior operations, or from Phase II cities). The detailed agents may instruct local responsible agents, and remain until the first operations within the district are conducted and evaluated. As the specific operations approach the date of the actual coordinated operation, additional agents will be detailed into the districts. The mixed squads will usually be composed along the lines of one local INS agent, one detailed INS agent, and a local/ state officer (and multiples thereof). This mix not only draws upon local expertise, but also provides a vehicle for familiarizing additional INS officers with this type of tactical operation. Temporary details of agents from non-project offices to project offices will also provide an opportunity to assess the feasibility of expanding these operations into smaller INS districts with suspect major criminal alien populations.

Following the implementation of projects within the five above noted INS jurisdictions, other INS districts, through their respective regions, may identify to Central Office Investigations specific criminal alien populations, forthcoming local and state enforcement agency commitments, resource needs, and desired the planned operational approach. Consideration will then be given to funding special projects within these districts, and facilitating temporary details of experienced agents to these areas to concentrate on these criminal alien populations.

Costs

In Phase III costs will exceed those in Phase II (which involve only training and special equipment acquisition) because of the expected need for details of agents into districts with relatively few agents. Rough estimates only may be provided as the number of agents who may need to be detailed will depend on which of the three types of tactical response is to be used (Mariel/warrant type, F.I.S.T./scam type, or secured area sweep type), and the anticipated number of apprehendees. Agents detailed will cost approximately $100.00 per day for each day of the detail (hotel, meals, laundry, and local transportation), plus $500.00 maximum for roundtrip airfare to the site of detail.

Time and Duration of Phase

Phase III should ideally not be initiated at Houston, Miami, and Chicago until the first Phase II operations have been conducted at New York City and Los Angeles, and preliminary results of these operations have been assessed. Preliminary results include raw success in terms of number of violators apprehended, numbers of aliens immediately removable from the United States, contraband seized, effectiveness of inter-agency cooperation, media coverage, etc. It is expected, however, that the actual success of these operations will not be known for a minimum of 180 days as INS' hearing processes (and detention capabilities) may be severely impacted by large numbers of criminal aliens requesting hearings and allowance for the appeals process.

Following the above rationale, Phase III operations at the three additional districts may be initiated 30 to 45 days after project initiation. They may be continued at those offices at the same intervals as stated in Phase II for an indefinite period , and expanded to other offices nationally (probably within another 30 to 45 days), as long as reprogrammed resources and project effectiveness allow.

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United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SENATE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS
WASHINGTON, DC 20510

[illegible]

January 14, 1987

The Honorable George Shultz
Secretary of State
2201 C Street, N.W.
Room 7th Floor
Washington, D.C. 20520

Dear Mr. Secretary:

As you may recall, in September, 1986, the Permanent Subcommittee on Investigations held public hearings on "emerging criminal groups." On September 17th, the Subcommittee reviewed the criminal activities of Nigerians residing in the United States and on September 24th, the Subcommittee reviewed the criminal activities of Chinese and Vietnamese individuals. Several questions regarding Department of State policies and procedures were raised at these hearings and in lieu of an additional hearing with Departrent witnesses, I have enclosed a series of written questions.

I would like to receive the Department's responses by February 9, 1987, so they may be included in the printed hearing record. Any questions which your staff may have should be directed to Daniel F. Rinzel, Chief Counsel to the Minority, or Howard L. Shapiro, Minority Staff Counsel, at 224-3721. Thank you for your assistance.

Sincerely,

Bill Roth

William V. Roth, Jr.
Ranking Minority Member

WVR/hls/cc

Enclosure

United States Department of State

Washington, D.C. 20520

MAR 6 1987

Dear Senator Roth:

In response to your letter of January 14, 1987, the Department of State has prepared the enclosed answers to the questions we received after your September 1986 hearings on "Emerging Criminal Groups in the United States". We appreciate the opportunity to contribute to the official record of the Permanent Subcommittee on Investigation's procedings on this important topic.

The Department will continue to follow the work begun by you and your Subcommittee staff, particularly in the area of document fraud. We believe we are making progress in the area of information sharing on counterfeit and stolen travel documentation with Federal law enforcement agencies and also with foreign governments.

Thank you for your interest in the Department's programs. If you need additional information, please call my office for further assistance.

With best wishes,

Sincerely,

J. Edward Fox

J. Edward Fox
Assistant Secretary
Legislative and Intergovernmental Affairs

The Honorable
William V. Roth, Jr.
Ranking Minority Member
Permanent Subcommittee on Investigations
United States Senate

1. Q. What is the current status of the Department's efforts to implement machine-readable passports? How will machine-readable passports decrease the incidence of passport fraud?

A. The Department of State's Office of Passport Services has been phasing in the automation of its passport issuance system since 1981. Approximately 80% of the total volume of passports issued annually are machine readable documents and the Department hopes to have the total passport issuance system fully automated by 1989.

The Department anticipates that verification of the readable zone on U.S. passports by the use of document readers at ports of entry and land border crossing points will enhance our efforts to deter passport fraud. Machine readable passports (MRP's) make both the alteration after issuance and counterfeiting more complicated, since it is more difficult to alter the readable (coded) zones which contain information specific to the true holder of a valid passport.

Also, if readers become available at Immigration and Customs checkpoints at all ports of entry, the Department of State can work with the law enforcement agencies to establish a program to identify lost and stolen passports.

2. Q. The Subcommittee has been informed that Nigeria is considering steps to improve its passport system. Can you provide any details regarding this effort?

A. In July 1986, officials of the Nigerian Security Printing and Minting Company Ltd. informed the Embassy's anti-fraud officer that the Nigerian government would soon require all Nigerians to exchange their present passports for new, higher-quality passports. The new passports would have improved security features, including fluorescent microprinting and invisible ink. The stitching in the new passports would be designed in such a way that if the biodata or photopages were removed, the entire book would fall apart, thus foiling counterfeiters hoping to substitute pages.

On March 8-9, 1987, the official unveiling of the passport and a demonstration of its security features will occur.

While the new passport will undoubtedly be an improvement over the one currently in circulation, Nigeria's decision to upgrade the physical quality of its passport will not be accompanied by reforms in its passport issuance system. The documents needed to legally obtain a Nigerian passport are easily and frequently forged. It is not unusual for a Nigerian to legally be issued several passports in different names.

3. Q. During the Subcommittee's hearings on the criminal activities of Nigerians, Chinese, and Vietnamese individuals residing in the United States, there was concern expressed over the fact that most of these individuals are in the country illegally. What steps can be undertaken by the Department, and have been undertaken, to address this problem?

a) What measures are currently being taken by the Department to ensure that visas are being issued for legitimate reasons and to the true applicants? How often are personal interviews required?

b) Should further restrictions be placed upon the number of visas granted in particular countries?

c) Can the Department tighten its visa review procedures to ensure that applicants have legitimate reasons for coming to the U.S.? If not, why not?

d) Is the Department aware of abuses in the use of the I-20 form by student visa applicants? If abuses are taking place in this area, what can be done to prevent them?

e) How does the Automated Visa Lookout System (AVLOS) relate to computer information systems within other federal agencies?

f) Since the testimony during the Subcommittee's hearings indicated that Nigerian and Chinese individuals are significantly involved in narcotics trafficking, what is the status of information sharing efforts between the Department and the Drug Enforcement Agency? Does the Department insist upon access to DEA "suspect" files before including "suspect" information in the AVLOS? Are DEA's unilateral assertions sufficient?

A. The Department can only attempt to ensure the highest quality of visa adjudication possible for those aliens who seek legal visa documentation for travel to the U.S. Illegal immigration to the United States which by passes the visa adjudication process is not subject to Departmental control. In Nigeria, consular officers issue non-immigrant visas only to those persons who convincingly demonstrate that they have a bona fide reason to travel to the United States and sufficient ties to Nigeria to ensure their return. Immigrant visa applicants are similarly required to demonstrate that they are legally qualified to migrate to the United States.

Once the alien is issued a visa, his entry into the United States and duration of stay are regulated not by the Department of State but by the Immigration and Naturalization Service of the Department of Justice. The U.S. Mission in Nigeria aids the efforts of the INS by providing it with intelligence information on Nigerian fraud techniques and by conducting investigations that support criminal prosecutions in the United States.

3(a) Personal interviews are required for ninety percent of all non-immigrant visa applicants. Personal interviews are waived in certain instances when the application is referred by another foreign service officer, is presented along with a diplomatic note, or regards an individual who is exceptionally well-qualified. Personal interviews are required in all immigrant visa cases.

Every NIV applicant must convincingly demonstrate through his documents and his answers to questions posed by the consular officer that he is traveling for a legitimate reason and intends to depart the United States after a period of temporary stay. For example, an applicant for a visitor visa must show that he has an invitation from someone in the United States or a well-thought out itinerary, that his host in the United States is legally residing there, that he has sufficient money to finance his trip, and that he has substantial ties and commitments outside the United States that will compel him to to depart after the completion of his short visit.

Each IV applicant must convincingly demonstrate that that he has the work experience or family relationship necessary for him to qualify for immigration to the United States and that he has no health problems, criminal record, or other affiliations or experiences that would disqualify him for a visa under section 212(a) of the Immigration and Nationality Act.

In order to enhance the quality of their adjudications, consular officers in Nigeria attempt to stay abreast of techniques used by passport and document forgers and maintain a close liaison with other government agencies, particularly INS and DEA. The Consular Section in Lagos currently employees one American officer and one Nigerian Foreign Service National who are specifically tasked to investigate, detect and, if possible, eliminate fraud perpetrated by Nigerians.

Unfortunately, the lack of credible civil documentation in Nigeria makes it extremely easy for persons to misrepresent relationships. Visas are refused in cases where supporting documents are highly questionable, pending verification by our fraud investigator. As it is physically impossible to investigate all questionable documents with presently available resources, some visas are issued on the basis of documents that must be accepted at face value.

The embassy conducts field investigations of approximately twenty-five percent of all IV petitions. Approximately eighty-five percent of those investigated are found to be based on fraudulent relationships.

3(b) At the present time there is the INA does not provide for a numerical limitation on the number of non-immigrant visas that may be issued to nationals of a particular country. Any universal system of non-immigrant visa numerical limitation would likely result in unfair restrictions on those with a legitimate need to travel, promulgation of arbitrary and unreasonable guidelines to allocate those visas available, and reciprocal retaliation against Americans who need foreign visas to live, work, or travel abroad.

3(c) Our visa interview procedures are already extensive. Interviews of non-immigrant visa applicants in Nigeria are thorough and two-to-three times longer than interviews at most other foreign posts. Consular officers are constantly reminded to issue visas only if they are convinced that an applicant is bona fide. Officers try to keep abreast of current fraud techniques and devices used to outwit the visa review system.

In addition to stringent interview procedures, Nigeria will soon begin the time-consuming process of affixing the applicant's picture on the reverse side of the visa page and placing the Embassy embossed seal and legend on the picture (Bangkok method) to prevent visa page and photo substitutions.

3(d) The consular section is aware of abuses in the use of forms I-20 and has discovered numerous forged I-20 forms when presented by student visa applicants. We have had many more cases of schools issuing I-20s to part-time students, students who have already graduated, or to students who have submitted bogus checks or other documents to the school.

It is unfortunate that many schools apparently do not treat the I-20 form as an item to which access should be controlled. Many school administrators do not thoroughly review their records to determine a student's eligibility before issuing I-20 forms.

3(e) AVLOS interacts in several ways with the automated systems of other agencies. Input from a number of agencies is fed into the Department of State's computer. AVLOS is accessed by the INS via a computer terminal in their central office.

Data is accepted from the INS and DEA lookout systems by means of a magnetic computer tape. In addition, lookouts from INTERPOL, FBI, and the CIA are entered manually on an ad hoc basis.

3(f) The relationship between the consular section and DEA in Lagos is excellent, and information sharing is extensive. All names of traffickers furnished to consular officers by DEA is supported by DEA information available at post. Evidence supporting AVLOS entries based on statutory 212(a)(23) ineligibility is reviewed by consular officers prior to entry.

Our working relationship in Wasnington, D.C. is also mutually supportive. The Department of State entered approximately ninety-thousand names from almost two million DEA lookout NADDIS computer files via a magnetic tape in March 1987. The DEA should provide the first update computer tape at the end of March. A match on one of these names by a visa processing post will cause the applicant's visa processing to be halted until a check is made with the Department of State.

The large number of cases entered into AVLOS precluded checking each individual DEA case file, prior to data entry. This will be done, however, on a case by case basis.

Criteria for the selection of names from the DEA database were agreed upon in a Memorandum of Understanding. If an alien's name matches a

DEA-provided name in the AVLOS database, the visa officer is required to send a cable to the Department before issuance. The Department will check witn DEA headquarters which will provide information that will be used to determine the eligibility of the applicant.

We will then advise the Consulate of this information which will be used to adjudicate the visa application of an alien.

4. Q. Does the Department have any suggestions regarding streamlining of the deportation process?

A. The Department of State does not have any administrative responsibility in the deportation process. Aliens who are subject to deportation actions by the Immigration and Naturalizaiton Service (INS) are accorded Constitutional protections in the United States, which they do not have in the visa issuance process at consulates overseas. For this reason, it would be appropriate for the Department of State to defer to the Department of Justice in recommending if or how the deportation process should be streamlined.

5. Q. What is the status of Department efforts to develop a system to identify Asian names? How could this system be put to use in existing computer information systems?

A. The Automated Visa Look-Out System (AVLOS) does currently perform namechecks on aliens of Asian origin. Because this system is over twenty years old, its namesearch and response time capabilities are limited. The Department has contracted a private firm to conduct a thorough review of the AVLOS and recommend a systems design for what we plan to be its designated successor - CLASS - the Consular Lookout and Support System. Plans for CLASS include a greatly expanded namesearch function using high-speed communication lines to enhance name search response time.

The Department also has under study, the feasibility of developing name check algorithms for foreign names of Hispanic, Oriental, and Islamic origin. The CLASS project will take five years to develop overall if the design phase, which is being conducted currently, yields the results that the Department is seeking.

6. Q. In 1997, the takeover of Hong Kong by the Peoples Republic of China is expected to cause a significant increase in the emigration of aliens (particularly with criminal histories). What preparations has the Department made to effectively screen these individuals?

A. The Department of State's current screening procedures for IV and NIV applicants include checks to determine if the applicant has a criminal record. These worldwide procedures apply to Hong Kong as well, so that if an applicant is found to have a criminal record, that individual would be denied a visa under 212(a)(9) of the INA. In addition, the Department of State has excellent relations with the law enforcement officials in Hong Kong. We anticipate that such relations will continue and that our current screening process will continue to be effective.

We note, however, that from the testimony given last September, the Chinese criminals most often discussed were U.S. citizens or Chinese who had become legal permanent resident aliens before they became criminals.

7. Q. Have any relevant events or negotiations taken place between the United States and the government of Nigeria since the Subcommittee's hearings in September, particularly regarding the exchange of law enforcement information? Has there been any change in the implementation of extradition agreements between the U.S. and Nigeria?

A. There have been intensive discussions between the U.S. and Nigerian governments in recent months regarding law enforcement cooperation, particularly as it relates to narcotics trafficking. This phase of discussions culminated with the Secretary's recent visit to Lagos when he conveyed on behalf of Attorney General Meese an invitation to Nigerian Minister of Justice Ajibola to visit the United States. One aspect of this visit will be to consider the positive negotiations of a Bilateral Legal Assistance Treaty. A working level team of Nigerian Justice and Customs officials will travel to Washington to explore areas for expanded cooperation and possibly to begin work on a draft treaty.

The DEA office in Lagos has been expanded to two officers, reflecting enhanced cooperation with Nigerian police and Customs officials. DEA is providing Nigerian prosecutors with analyses of suspected substances and will provide the expert testimony of U.S. forensic chemists in Nigerian court proceedings.

One extradition request was recently approved by the appropriate Nigerian court. Actual extradition occurred February 6, 1987.

8. Q. Did the Department receive any official response or reaction from the government of Nigeria following the Subcommittee's hearings?

A. A member of the AFRC expressed concern that all Nigerians were being subjected to strip searches at ports of entry due to the attention focused on the criminal activities of some Nigerians. He accepted our assurances that this was not the case but remained concerned that a search of some innocent, prominent Nigerian would generate irresistible pressures for retaliation.

The Ministry of External Affairs by Diplomatic note of November 10, 1986, requested further details regarding specific allegations made during the Roth Committee Hearings. A response is pending.

9. Q. Does the Department agree with the testimony received during the September hearings indicating that the Nigerian, Chinese, and Vietnamese groups are "emerging criminal groups," or does this phrase overstate the situation?

   a) What other groups from specific countries cause similar problems in the U.S due to their criminal activities?

   b) What steps can and/or are being taken by the Department to address this problem?

A. Concerning the testimony received by the Committee during its hearings last September, the Department of State has no evidence to confirm or refute the testimony that the Nigerian, Chinese, and Vietnamese groups are "emerging criminal groups."

During the last ten years, millions of legal and illegal immigrants have moved to the United States. The Department is not surprised that among this population of immigrants, criminals should emerge who, in the clandestine world of crime, prefer to associate with other criminals with similar cultural, linguistic, and ethnic backgrounds.

10. Q. What is the Department's view of the SAVE (Systematic Alien Verification for Entitlements) program to check alien eligibility before federal benefits are provided?

A. The Administration supported the efforts of the Ninety-Ninth Congress, in principle, to develop an alien verification program as part of immigration reform and control legislation. While supporting the Administration's position on this issue, the Department of State chose to defer on the merits of the SAVE program to the domestic agencies involved in administering entitlement of Federal benefit programs.

The Department notes that Section 121 of the Immigration Reform and Control Act of 1986 requires the General Accounting Office to examine current pilot projects relating to the SAVE program operated by, or through cooperative agreements with, the Immigration and Naturalization Service. The GAO will report to the Congress on October 1, 1987 on the effectiveness of such projects and any problems with their implementation.

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